

# Impact of Demonetization on Auto Drivers: A Case Study of Kalaburagi District in Karnataka

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**Abstract**—*Demonetization is the act of changing the existing currency in another form. The old unit should be retired and replaced by new currency. In the other words Demonetization means either introducing new notes or coins of the same currency or fully replacing the old currency with new currency. There is another important thing exist in the economics, with is Demonetization, in which forms of payments is restored as legal tender. Indian government adopted demonetization on 08 November 2016 to tackle with black money and make India a cashless digital economy. It is used in very adverse situations. The study aims to understand the impacts of demonetization on the small and marginal large and middle Auto drivers the change that has arisen in their daily Wages and innovative ideas that they have undertaken to overcome this problem of low cash circulation and digital transaction of short term and long term in market. This paper covered what are the post effects of demonetization on consumer behavior towards the digital transaction. Also Focused throws light on how much positive and negative impacts of demonetization and briefly explain towards the digital transaction and limited cash circulation in the market. This study also indicates about government's interferer for solving short term and long term difficulties of low cash circulation in the market. This study also analyses the Auto driver's loss and profit due to demonetization. How they faced demonetization in their business.*

**Keywords:** *Cash circulation, demonetisation, digital transaction, money lenders.*

## 1. INTRODUCTION

Indian economy is said to be a fast growing and also considered to be bright spot among other emerging markets in the world. In the global environment, India has multiple strengths of larger youth population, growing middle class people, increasing literacy level and improving technical knowledge among the work force which would address favorably any proactive change in the present setup. Moreover, demonetization, coupled with Digital India and Jan Dhan Yojana, is aimed at strengthening transparency in money transactions by curbing black money, corruption and financial crimes. As per the data released by the Central Statistics Office (CSO) the growth figures of many industries have showed downward trends from 7.6% to 7.1% for the financial year ending 2017 just before the quarter when the demonetization exercise is introduced. Several economists

also viewed that the current and ongoing attempt to flush out black money would shave a good 2% of the GDP of the country.

Many of countries has done the Demonetization but the purposes are different and some countries like European union (2002), United State of America, Australia (1996),Pakistan and so many. And some countries failed in Demonetization. So in Indian in the short time it has facing lot problems and loses but in long run it will be very profitable and beneficial.

## 2. REVIEW OF LITERATURE

Deepa Krishna: (21 Jan 2017)

Survey of the effect of Demonetization on 28 slums neighborhoods in Mumbai in this survey explained that full impact of the policy on the economic conditions of the surveyed that no additional data will be need in the future. In this survey motioned that How lower income families store their saving in the future might differ significantly from the past. In particular bank accounts are expected to increase in importance and also analyses.

CMA Jai Bansal (2017) reveals that GDP of Country slightly decreases as compare with the previous year but we cannot say it will be same in future also. This intervention is a one-time draining of this current stock of black money but unless the root causes of corruption are removed, corruption will continue. It is sort of like a dialysis, more of a short term cleaning up than a solution of the problem. It needs to be repeated periodically.

Dr. Partap Singh (2016) [2] researched on Impact of Demonetization on Indian Economy and concluded If the money disappears, as some hoarders would not like to be seen with their cash pile, the economy will not benefit. On the other hand if the money finds its way in the economy it could have a meaningful impact. However experiences from different countries shows that the move was one of the series that failed to fix a debt-burdened and inflation-ridden economy.

**3. OBJECTIVES**

- 1) The study the impact of demonetization on the Auto drivers.
- 2) To analyze the Auto drivers loss and profit due Demonetization.
- 3) To understanding the difficulties of low cash circulation and change problem in the daily wages like Auto drivers.

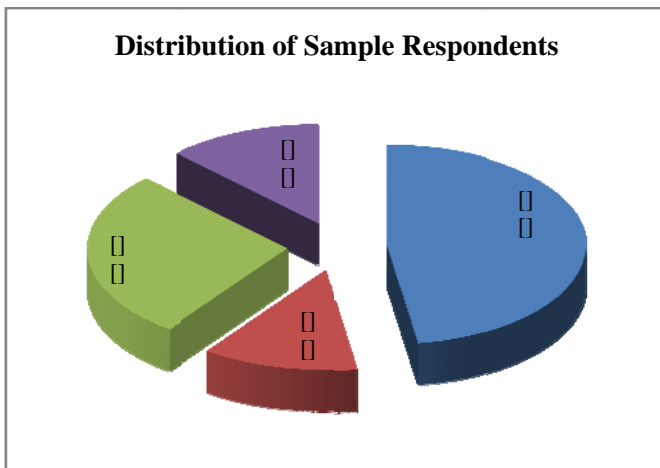
**4. METHODOLOGY**

The research project is mainly based on primary data. In Kalaburgi around 25000 Auto drivers among than I have collected as simple random sampling sources data as a primary questionnaire survey was conducted on the daily wages base. In this method collected information to meet individual auto drivers. The respondents from various auto drivers are the given information the daily wage bases they have categorized in the earning based they as follow.

**Sample Profile**

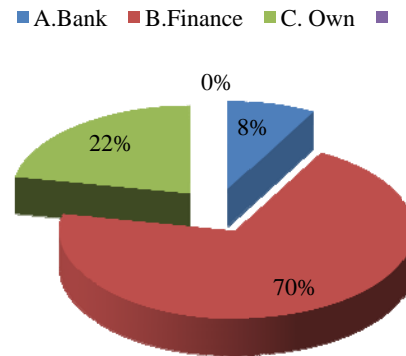
No of respondent	Small wage earner	Large wage earner	Middle wage earner	Marginal wage earner
80	40	14	32	14

**Distribution of Sample Respondents**



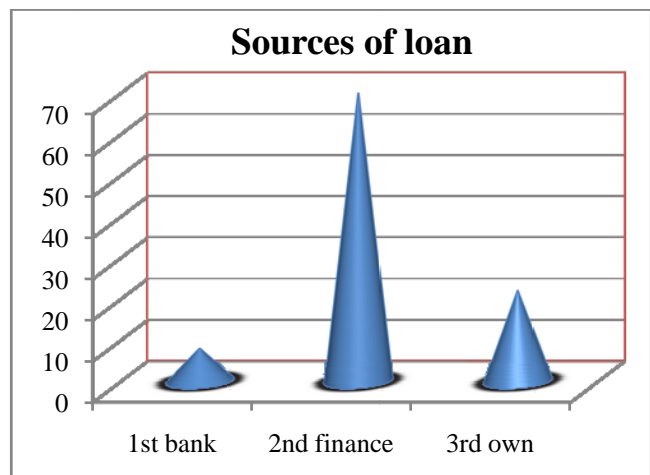
Above pie-chart shows total Auto drivers in terms of percentage based on sample survey method in Kalaburgi town. 40% Auto drivers are the small wage earners. Means they are not able to earn (Rs.300-400) per day. These types of Auto drivers are huge in Kalaburagi city. And also these Auto drivers are facing huge currency transaction in the market. Because they are poor in using digital transaction. And 30% Respondents are middle wage earners. Means they are not able to earn minimum wage (Rs.600-700) per day. This type of Auto drivers is also big in Kalaburagi city. . 26 % Auto drivers are marginal wage earner. Means they are not able to (Rs.400-500) per day. These types of Auto drivers are medium in Kalaburagi town.

**Credit Sources of Sample Auto Drivers**



Above pie chart indicates that 70% of Auto drivers are dependent on other finance and auto owners in Kalaburgi town. And 24 % of Auto drivers are taking rent as Autos. And only 6% of Auto drivers are used their own Autos these type of Auto drivers very less in the Kalaburgi city market.

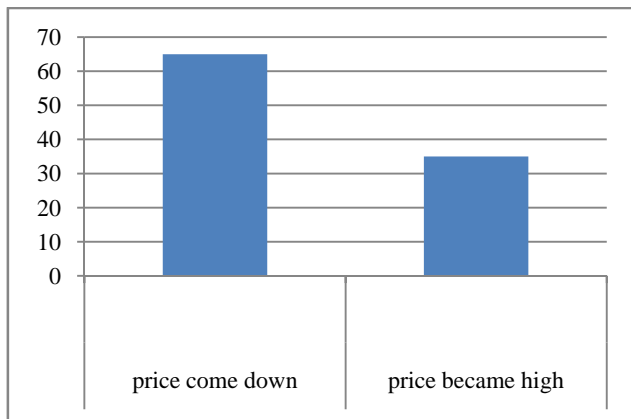
**Sources of loan**



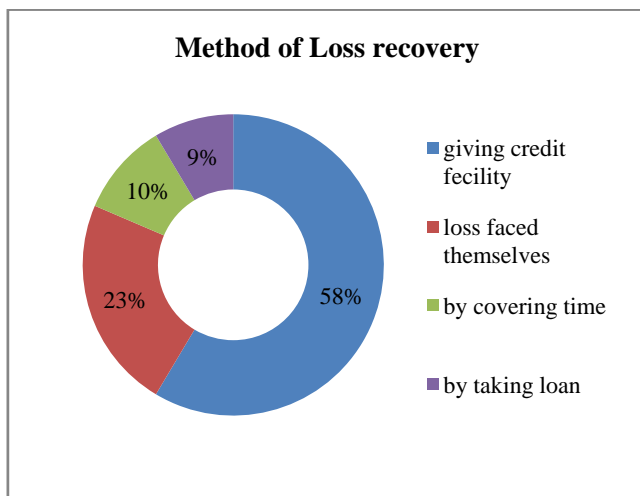
As per Above Table 70 % Auto drivers are dependent on finance (money lender) loan source with high rate of interest (4 to 5% per month).this is very difficulties in maintaining financial balance in their daily activities. Finance loan is very risk to the Auto drivers are because of low profit in their daily business.

22% Auto drivers are will use their own money .these type of Auto drivers are not under risk because only their profit rate is down but they are maintaining .Compared to both source of loan Auto drivers are depend much on bank source(8%) in the Kalaburgi city.

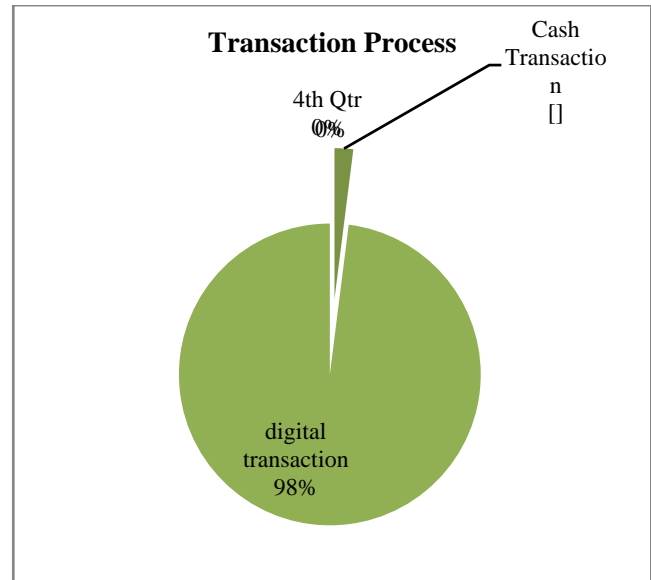
**5. PRICE CONDITION AFTER DEMONETISATION**



As per shows above table 60% of replied comes that after demonetization price is come down due to lack of money circulation in the market. Than it leads to come down of consumer purchasing power. Than 40% of responders are replied that price is very high due to low money supply in the market. It means demonetization affected both demand side as well as supply side. These both problems faced by travelling of consumer. Some Auto drivers are lost their profit but they are try to maintaining equilibrium point on demand.



As per above tables shows that 70% of respondents replied that after demonetization we faced loss in the business due to in-equilibrium between demand and supply. Than they maintained supply as per demand. Remaining 10 % of auto drivers faced their loss covered themselves to them there is no alternative way for covering the loss in short run .12% of auto drivers covered the loss by giving credit facility to consumer to avoid change problem. 8% of auto drivers covered their risk by taking loan by finance. Above all method used by auto drivers avoiding risk and avoid loss in their business.



Demonetization’s one of the main objectives is bringing the digital economy. But some of small trader faced the difficulty to accept because they are not aware about digital transaction As per above pie chart shows that 98% auto drivers are not able to adopt digital transaction in their business due to no awareness about digital transaction. And only 2% of Auto drivers are aware about how to use the cashless transaction. Above mentioned report will say that due to lack of money supply in the market there are huge problem faced by auto drivers.

**6. NEGATIVE EFFECT OF DEMONETIZATION**

- 1) Sudden ban in currency there is no demand for market it is indirectly affected to auto drivers because less no of consumers are coming to market.
- 2) Low demand to Auto drivers:- Auto drivers are facing another problem of low level of low demand to market because consumer also faced difficulty for purchasing Goods due to lack of money high value amount its create shortage amount in big transaction so that’s the reason for demand has come down than its creates low price in the market.
- 3) Profit come down:-due to lack of money circulation and low market and demand decreased than automatically price will come down that’s the reason profit also decreased.
- 4) Its create Change problem in the market it’s also disturb to smooth functioning of business.
- 5) Auto drivers are not receiving any kinds of government.

**7. POSITIVE EFFECT OF DEMONETIZATION**

- 1) Demonetization brings the necessity to make online transaction as well as customer due to low circulation of money.

- 2) It will implement the Cashless economy in the market.
- 3) Demonetization involves the people in Banking Activity

Some suggestions/Recommendation to overcome from demonetization's short run problem.

- 1) There is a need of digital awareness to every Auto drivers because of their smooth function.
- 2) Government should circulate low value amount Rs. 50, 100 and Rs. 500 notes so that there should be sufficient circulation of money in the market.
- 3) Government needs to increase money supply through banks and ATM.
- 4) From government side provide training and workshop to Auto drivers for becoming awareness about digital transaction.
- 5) Avoid high value notes (Rs2000 and 1000) its leads to change problem in the market.
- 6) Marginal and small Auto drivers are expected financial support from government side to improve their business.
- 7). the banks should provide swiping machines to all the Auto drivers with free of cost and exempt from service tax.
- 8) Auto drivers are skilled worker they are expect more facility through the government side.
- 9) There is no security of their life so government should do some insurance for them.

## 8. CONCLUSION

Demonetization has affected the short term needs of the people basically belonging to the lower and middle class families for whom cash is the primary mode of payment for their day to day activities. And as well as small and marginal Auto drivers also suffered a lot due to the impact of Demonetization on in Kalaburgi town. Small and marginal sector typically sees high cash transactions and therefore near-term impact could be seen till liquidity is infused in the business sector. As Auto drivers faces a temporary shortage of cash in hand, it could lead to a loss in profit in the short term. The Auto drivers appeal is that to as much as possible avoid change problem. Majority of Auto drivers waiting for digital training workshop for their smooth transition

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