

“EFFECTS OF DEMONETIZATION ON PETROLEUM INDUSTRY”
A SOCIOLOGICAL STUDY

[With special reference to Chikmagalur District, Karnataka State]

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Introduction: The word petroleum derived from Greek. The term frequently used to refer to mineral oils produced by distillations from mined organic solids such as cannel coal and refined oils produced from them, they are derived from crude oil as it is processed in oil refineries, they are collection of well defined pure chemical compounds , petroleum products are complex mixtures. Petroleum products are very essential products for transportation, heating, electricity generation, asphalt and road oil. They are used make chemicals, plastics and synthetic materials which we are using in daily life. In India daily we are consuming 41,59,000 barrels of petroleum products according to 2015 statistics available. (1 barrel = 159 liters)

Definition of demonetization: - Demonetization can be defined as an act of stripping a currency unit of its status as legal tender. Demonetization is usually necessary whenever there is a change of national currency. The old unit must be retired and replaced with a new unit.

Base for printing of Notes: - Notes in India are printed on the basis of below mentioned points.

1. 115 crores value of gold should be in the custody of Reserve bank of India. 85 crores of foreign reserve exchange totally it should be 200 crores.
2. 10% of the total national income will be taken in to consideration while printing the notes. This percentage will varies from time to time the decision is left to the RBI.
3. Under the guidelines of IMF (international monitory funds) notes must be printed.
4. Tax collection by union government of India also taken into consideration.
5. Depending of the inflation rate the government will decide notes to be printed. If the inflation is high the government will reduce the circulation of currency notes.

6. Budget deficit: - To fulfill the budget deficit the RBI can print extra money if necessary to purchase government bonds, securities, to maintain the equilibrium system.
7. Commercial bank requirements: - They RBI can print the notes according to the needs of the commercial banks requirements.

Main reasons for Demonetization:-

1. To tackle black money in the economic system.
2. To lower the cash circulation this is directly related to corruption in our country.
3. To eliminate fake currency and dodgy funds which have been used by terror groups to fund terrorism?

Before 08/11/2016 only 24 % of the money which is in circulation is bank notes only. Then remaining 76% of money which is in circulation is unaccounted money or black money. Demonetization process is not the first process; it is in practice since independence of India and in pre-independence India also. In pre independence India 1000, 5000, 10000 notes were banned in the year 1946 by British government. 1000, 5000, 10000 notes were banned in the year 1978 by Morarji Desai government. "The direct tax enquiry committee (DTEC)" will suggest for ban of currencies in India according to the occasion. The vanchu committee appointed by the parliament of India at the time of smt Indira Gandhi was also suggested for the demonetization.

Money is a mysterious substance:-The total money in India which is in circulation was (500 and 1000 notes) nearly 86% the remaining money was only 14%. According available statistics as on 31-10-2016 the total value of 500 and 1000 notes was 17, 50, 000.crores the remaining notes value was 14,50,000 crores.

Currency printing policy history: - In all the countries of the world the currency notes are printed on the basis of **IDEAL STATE CONCEPT** as advocated by great philosophers like PLOTINUS, ARISTOTLE, BENTHAM, CHANUKKYA, MANU, THOMAS HOBBS, RUSO, J S MILL. The currency notes printed in their respective countries is meant for the welfare of the people and in the interest of the nation.

Countries effected by the demonetization in the World history:-

- 1) USSR (United States of Russia) in the year 1991 January withdrawn Rubble bill. By this bill a great financial crunch happened. The soviet union divided into several small countries for this reason only

- 2) South Korea in the year 2010 King Jong eleven removed the two zeros in the currency. By this effect the financial crunch happened, and then the king apologized with the people of the country.
- 3) Zaire in 1993 king Mobato sase seko has withdrawn the currency against the American dollar, then the entire economy of the country collapsed. In 1997 the people unrest started in Zaire and the king was thrown out of power.
- 4) Myanmar in the year 1987 the military administration has withdrawn 80% of its currency which was in circulation, then political unrest started and the economic system was ruined.
- 5) Ghana in the year 1982 the currency was withdrawn by the government, then the people of Ghana lost the confidence in the government and the parallel, black economy started.
- 6) Nigeria in the year 1984 the military administrator Mohamad bukari has introduced new notes, then political unrest started the military administrator was thrown out of power.

Merits of demonetization:-

- Corruption can be controlled.
- Terrorism can be controlled.
- Black money can be controlled.
- Parallel economy can be controlled.
- Inflation can be controlled.
- Black market can be controlled.
- Accumulation of wealth can be controlled.
- Smuggling can be controlled.
- Illegal activities can be controlled.
- Cross border terrorism can be controlled.
- Fake currency notes from neighboring foreign countries can be controlled.

Some temporary problems of demonetization:-

The distribution of notes through 92,000 bank branches is not sufficient to India. Notes distribution can be allotted to co operative bank system also There are 5, 24,000 co operative banks in India. The co operative banks are barred from receiving 500 and 1000 notes it will hamper the banking system throughout India. Because the rural agricultural mass community is connected with co operative banks.

- The co operative banks are performing well in India. There NPA is less than scheduled banks NPA in India

- Peoples are standing in long queues for their money in front of banks.
- Till today 48 peoples lost their lives for different effects of demonetization.
- There is a legal evasion for tax payers always.
- The state governments should be supplied sufficient notes by union governments for their transaction.
- 80% of the rural India is not geographically suitable to provide new notes through ATMs.

After the demonetization the petroleum dealers faced Sevier problems in their day to day business to collect the old 500 and 1000 notes from their customers and to remit the same in their bank accounts. The usual sales of petroleum products gone down by nearly 40%. The Bank authorities and the income tax authorities questioned the petroleum dealers according to their own Whims and fancies. This created a major problem for petroleum dealers. Providing old 100, 50, 20, 10, 5, and 1 rupee note changes for a customer's demonetized 500 and 1000 notes was created great hardship to petroleum dealers

Due to demonetization of 500 and 1000 notes the sales of petroleum products gone down nearly 40% from 08-11-2016 to 31-12-2016 in all over India. Demonetization of 500 and 1000 rupee notes was a shocking news on 08-11-2016 all India radio Prime Minister man ke bath program. It has created tremors in petroleum business in India to all dealers. The responsibilities of collecting the demonetized 500 and 1000 notes was entrusted to few segments in India namely public sector petrol pumps, medical shops, Govt and pvt Hospitals, Railway stations, National Highway toll collection centers, Air ports, Tax, revenue collecting authorities and so on.

The government of India trusted the public sector oil company dealers to collect the old notes old notes and to remit the same into their petrol pump bank accounts. Petroleum dealers feel very proud that we are recognized by the union government of India to serve the nation as a military soldier as and when the nation needs. The public sector oil company petroleum dealers from Kanyakumari to Kashmir served the nation and the customer to their maximum extent in the crucial times of Demonetization.

Due to demonetization of 500 and 1000 notes Indian economy will move slowly towards sustainable development in petroleum industry, because the demonetization move was acknowledged by IMF, USA, UK, Japan, China and other major financial stable countries including oil producing nations and The Organization of the Petroleum Exporting Countries (OPEC). After the demonetization Indian rupee is stable in the world market. By

the stable rupee we can by crude petroleum products for the cheaper rates in the international market. By this we can provide petroleum products at the stable rates in future days.

Objective of the study: - To study the Effects of Demonetization on The problems of Petroleum Business

Hypothesis of the study: - Due to the Effects of Demonetization on petroleum business drastically reduced and the whole petroleum Industry faced the problems.

Limitations of the study:

- Our study area is Chikmagalure district only
- Our respondents are petroleum dealers who are having the experience of 5 years in petroleum business.
- Our study limits is only the petroleum dealers
- Our respondents are 50 only

Statement of the study:-

“Effects of Demonetization on Petroleum Business” A sociological study.[With special reference to Chikkamagalore District, Karnataka State.]

Clarification of the Statement:-

Demonetization: - Demonetization can be defined as an act of stripping a currency unit of its status as legal tender. Demonetization is usually necessary whenever there is a change of national currency. The old unit must be retired and replaced with a new unit.

Petroleum Business: - Its includes the buying, selling, and over all process of the petroleum industry

Sociological study: - Sociological study is a systematic and scientific study of the any social phenomena, with the educational political, historical, economical and social perspectives.

Importance of the study

1. This study has importance regarding Demonetization.
2. This paper prepared on the basis of sociological method.
3. This study gives importance for the problems of Demonetization on Petroleum Business.
4. This study is very important in this topographical area.

Methodology: In this study we have used both purposive and random sampling method on selected 50 petroleum dealers as respondents. We have used direct interview method for the collection of information by respondents.

Sources of information:-

- 1) **Primary resources:** - To collect the primary information I used self prepared questionnaire on the effect of demonetization on petroleum industry from 50 respondents.
- 2) **Secondary resources:-**we have collected information from Articles, journals, library, news papers and websites.

Theoretical perspectives:-

For this successful study we adopted the changing theoretical perspective.

TOPOGRAPHICAL FEATURES OF THE STUDY AREA

Chikkamagalore is a district in the South Indian state of Karnataka. Coffee was first cultivated in India in Chikkamagalore. The mountains in Chikkamagalore which are a part of the Western Ghats are the source of rivers like Tunga and Bhadra area. • Total, 7,201 km² (2,780 sq mi). Population (2001) is Total, 11,39,104. Density is 158.19/km² Geographical scope of study area is Chikkamagalore dist., in Karnataka state regarding public policy and sustainable development. Chikkamagalore dist., will come under the famous western guhths area. Chikkamagalore dist is famous for Coffee, Tea, Cardamom, Rubber plantation crops. It is also famous for horticulture corps like coconut, Aracanut, Banana, Mango, Sapota and other crops. It is also famous for Paddy, Raghi, Jower and other food crops. It is also famous for commercial crops like chilies, Onion, Potato and other crops. It is also famous for tourism sports like Dattapita, Mullaiyana giri, Kallatthigiri, Kemmanna gundi, Amruthapura temple and so on. Information regarding chikkamagalore dist., as on today. There are BPC – 18, HPC-24, IOC-30, Reliance-02, SR-01 total 75 bunks.

DATA ANALYSIS:

The data collected by using all the research methods, and others sources are analyzed by essential statistical techniques by using analysis of data research report. The data was collected on industrial financial developmental prospective

Table . 1 Personal Profile of the Respondens

SL N O	Personal profile of the Respondents				
1	Age	18-28	29-39	40-50	51+
		2	10	20	18
2	Gender	Male			Female
		45			5
3	Caste	SC	ST	OBC	Others
		10	05	25	10
4	Religion	Hindu	Christian		Muslim
		46	01		03
5	Education	Illiterates	Primary education	Secondary education	Higher education
		00	24	20	6
6	Yearly Income	Up to 2,40,000	2,40,001 to 3,00,000	3,00,001 to 4,00,000	4,00,001+above
		35	05	06	04
7	Marriage	Married	Bachelor	Widow	
		48	00	02	
8	Family	Joint	Nuclear		
		05	45		

In demographic information age, gender, education qualification, , marital status, income size type of family etc, are various information's are followings.

- **Age:** Age is the important factor at the time of interviewee because if the respondents are below 18 years age they will be considered as minors. They are not eligible into any contract according to Indian contract act-1872. I have interviewed the respondents from age group 18 to 80.
- **Gender:** We interviewed 90% of the male respondents. 10% of the female respondents.
- **Cast:** At the time of research in India cast plays a important role even though India is secular state. We interviewed 20% SC, 10% ST, 50% OBC and others 20%.
- **Religion:** India is the mother land of several religions. Even though it is a secular state. all the statistics are collected on the basis of religion like Hindu, Muslim, Christian, Jains, Parasis, Buddhists, siks and so on. We interviewed Hindus 92%, Christians 2%, and Muslim 6%.

- **Education:** Education plays an important role in India. Due to several governmental and non-governmental (NGO`s) initiatives. Majority of the respondents are literates. In the interview 48% having primary education 40% having secondary education and 12 % having higher education.
- **Annual income:** 70% of the respondents having income of 2,40,000 per year 10% respondents are having income of 3,60,000 per year 12% respondents having income of 4,00,000 per year and 8 % of the respondents having more than 4,00,000 per year.
- **Marriage:** we have interviewed 96% Married dealers and 4% widows.
- **Family:** we have interviewed 10% joint family dealers and 90% nuclear family dealers.

Table no 2:- Thematic analysis of Effects of Demonetization on Petroleum Business

Sl no	Effects of Demonetization on Petroleum Business	Yes	No
01	Exchange of old notes by costumers	98	02
02	Submit of old notes to dealers bank account	95	05
03	Immediate effects of note ban on truck drivers	100	00
04	Immediate effects of note ban on costumers	95	05
05	Problems of Purchase of petroleum products by dealers	70	30
06	Costumers stopped the circulations of other notes	95	05
07	Inter related developmental activities are stopped	95	05
08	Sales of petroleum products came down	94	06
09	All other expenditures are continued	100	00
10	Extra burden to dealers to remit the amount to bank	100	00
11	The entire petroleum industry was in blank	95	05
12	Owners, Drivers, Workers and personnel are faced the Problems	96	04
13	Co operative bank are barred from remitting amount by dealers	100	00
14	Queries faced from public sector oil company authorities	100	00
15	Unnecessary query by bank authorities	95	05
16	Abrupt instructions by RBI authorities to dealers	100	00
17	Hurdles by Income tax authorities	95	05
18	Queries faced from chartered accountants	96	04
19	Dealers are personally disturbed	95	05
20	Sales Loss of petroleum products incurred by petroleum industry	90	10

❖ **Exchange of old notes by costumers**

98% of respondents were opined at the time of the demonetization majority of the customers paid their old stripped 500 and 1,000 notes only. Even for the small volume of petrol diesel and lubricants. Providing change for their notes was very difficult and it created a major problem for petroleum dealers to provide correct change of old 100, 50, 20, 10, 5, 2, and 1 rupee notes for the customers. By this dealers lost nearly 40% of their petroleum product sales.

❖ **Submit of old notes to dealers bank account**

95% of respondents were opined at the time of the demonetization remittance of old stripped 500 and 1,000 notes by petroleum dealers to their petrol bunk account in Banks caused hurdles for dealers to the big extent. At the time in all the banks there were long standing queues in front of the banks till morning to late evening to remit the petrol bunk money dealer's precious time was wasted in front of the banks.

❖ **Immediate effects of note ban on truck drivers**

100% of respondents were opined after the announcement of demonetization by the Honorable Prime minister of India in man ki bath program the lakhs of truck drivers on the roads of India stopped their movement, because at the time they don't know what to do and what not do without money they suffered a lot to fulfill their daily needs. Some drivers went without food and water also. It was a major problem at the time for truck drivers in their life time.

❖ **Immediate effects of note ban on costumers**

95% of respondents were opined at the time of demonetization the customers stopped purchasing of petroleum products to their needs, because they don't circulated old 100, 50, 20, 10, 5, 2, and 1, notes. Their brought only stripped 500 and 1,000 notes but there was no change in the petrol bunks it created problems between customers and petrol bunk owners and staff. In some places customers quarreled with petrol bunk personnel.

❖ **Problems of Purchase of petroleum products by dealers**

70% of respondents were opined at the time of demonetization the dealers faced major problem to purchase the petroleum products from their respective public sector oil terminals. Collection of stripped 500 and 1,000 notes from the customers took more time to manage huge amount which is payable for oil companies. By this some petrol bunks gone dry without petrol and diesel in their retail outlets by this customers also suffered without fuel.

❖ **Costumers stopped the circulations of other notes**

95% of respondents were opined after the announcement of demonetization the customers with anxiety they did not circulated their old notes and they kept same in their homes. This created one-way circulation of only stripped 500 and 1,000 notes. It created more

trouble in the financial market to buy their daily needs. By this sales of petroleum products came down heavily and created financial losses for the petroleum dealers.

❖ **Inter related developmental activities are stopped**

95% of respondents were opined after the announcement of demonetization the interrelated developmental works stopped all over India in all fields for some period of time. At that time the daily unorganized laborers went without jobs, food, water, and the daily essential needs. At that time everybody was telling there was no money to pay. This created waste of crores of human day's laborer's, especially the coffee tea plantation workers and agriculture workers.

❖ **Sales of petroleum products came down**

94% of respondents were opined after the announcement of demonetization 40% sales of petroleum products come down. This created problems to petroleum dealer daily business. The entire automobile field, industrial field, agricultural field and construction works also stopped. This created major loss to petroleum dealers.

❖ **All other expenditures are continued**

100% of respondents were opined after the announcement of demonetization all the expenditures of petroleum dealers continued, like electricity bill, water bill, labor payment, bank interest and other maintenance cost continued by this dealers went away with financial losses.

❖ **Extra burden to dealers to remit the amount to bank**

100% of respondents were opined after the announcement of demonetization the remittance of stripped 500 and 1,000 notes to petroleum dealer's bank accounts was a tedious and it was an extra burden to petroleum dealer to stand in queue in front of banks to remit the amount. It costed more for dealer financially.

❖ **The entire petroleum industry was in blank**

95% of respondents were opined after the announcement of demonetization the entire petroleum industry was paralyzed for the period of some days. Nobody knows what to do and what not to do, because there was specific advance directions from concerned authorities to petroleum dealers. At that time all the concern departments was telling we are waiting for the orders from higher authorities. And nobody was specific in any dealings of the petrol pumps business and petroleum industry.

❖ **Owners, Drivers, Workers and personnel are faced the Problems**

96% of respondents were opined after the announcement of demonetization the owners of vehicles, drivers, and workers of transportation industry and personnel of petrol pumps faced the problems according to their responsibilities. The owners of vehicle went without money, the drivers went without salary the workers went without wages and finally all personnel related to petroleum industry suffered a lot.

❖ **Co operative bank are barred from remitting amount by dealers**

100% of respondents were opined after the announcement of demonetization the cooperative sector banks, marketing societies and the sowharda banking unit also barred from receiving old stripped 500 and 1,000 notes. This created a major problem for petroleum dealers who were having their petrol bunk accounts in the above said institutions. In India there are approximately 5,00,000 + cooperative bank branches. But there are only 92,000 bank branches all over India.

❖ **Queries faced from public sector oil company authorities**

100% of respondents were opined after the announcement of demonetization the public sector oil companies remanded for all the details of day to day sales details of petroleum products In petrol bunks with bills, the stock of petroleum products in the underground tanks, the details of total amount remitted to bank accounts and daily basis was called by public sector oil company authorities created extra burden on the petroleum dealers to furnish all the above said details, To their concerned divisional offices.

❖ **Unnecessary query by bank authorities**

95% of respondents were opined at the time of demonetization the bank authorities posed several questions for petroleum dealers regarding the remittance of amounts from sales of petroleum products caused mental disturbances for the petroleum dealers.

❖ **Abrupt instructions by RBI authorities to dealers**

100% of respondents were opined the announcement of demonetization there were 50 + notifications from the reserve bank authorities of India on daily basis one after the other created kayos in petroleum business field. The dealers did not know what to follow and what not to follow.

❖ **Hurdles by Income tax authorities**

95% of respondents were opined after the demonetization of 500 and 1,000 notes majority of the petroleum dealers received notices from income tax authorities calling for details of accounts of purchase and sales of petroleum products and money collected from sales and the amount remitted to petroleum dealer's bank accounts was verified. This created a

major problem for petroleum dealers, even though they were regular income tax payers from the beginning of their petroleum business.

❖ **Queries faced from chartered accountants**

96% of respondents were opined after the announcement of demonetization the dealers went to their chartered accountants to provide answers to bank authorities, public sector oil company authorities, and income tax authorities, several questions were posed by chartered accountants with supporting evidence to prepare the accounts and to submit the same for authorities created major problems for petroleum dealers.

❖ **Dealers are personally disturbed**

95% of respondents were opined that the announcement of demonetization all the dealers personally disturbed to provide all the details to the concerned authorities, to serve the customer with proper change of notes and to sell their petroleum products they tried their level best, personally the dealer, their family members and personnel disturbed a lot.

❖ **Sales Loss of petroleum products incurred by petroleum industry**

90% of respondents were opined after the announcement of demonetization the petroleum industry incurred financial losses by the low sales of petroleum products by their respective dealers, approximately at the beginning of demonetization 40% of the sales of petroleum products gone down. It needs more time to petroleum industry to recover.

Findings and Problems of the study area:-

In our study area there was a problem regarding exchange of old stripped 500 and 1,000 notes by customers and to remit the same old stripped 500 and 1,000 notes to dealers bank account was a great task.

At the same time the vehicle owners, drivers and transport personnel faced immediate problems on their way itself. There was no circulation of 100, 50, 20, 10, 5, 2, 1, notes created panic in the petroleum business. At the time all the stake holders of petroleum industry suffered a lot. At the same time cooperative banks also barred from receiving old stripped 500 and 1,000 notes created financial problem to petroleum dealers. The continues directions issued by the RBI authorities, the unnecessary query by income tax authorities, public sector oil company authorities, bank authorities and chartered accountants authorities disturbed the dealers community in large. In the same time dealers suffered from loss of petroleum product sales financially and the total expenditures and over heads remained in the same level causing huge financial losses to petroleum dealers according to their sales.

Suggestions

- We personally suggest the RBI authorities to provide prior information for the public's to avoid the rumors. RBI authorities should not issue number of notifications on daily base according to their convenience. RBI should be Eveready to face to challenges posed by the demonetization has and when necessary to serve the common public without any problems of currency notes surplus availability.
- Early preparation should be arranged by the RBI authorities to print and supply it to nook and corners of Indian villages including forest areas, hills station and other remote areas. R B I as no legal rights to make suffer common people from the scarcity of lower and higher denominations. The RBI has no legal rights to impose the restrictions on the hard earned money withdrawals from customer's bank account.
- The RBI should properly estimate the total amount of notes going to be withdrawn from the circulation and same amount of note should be printed, dispatched to all bank branches of the country. Before demonetization the ATM s should be re calibrated to deliver new size notes. The bank authorities should be mentally prepared to face the challenges posed by the demonetization without disturbing the day to day activities of the banks.
- The RBI and the banks should work in war foot way to satisfy the requirements of lower and higher denomination of notes by the customers.
- The RBI should provide more time to people of India to get exchanged their old stripped 500 and 1,000 notes without any hurdles.

Confirmation of hypothesis: - Before start the study of this issue we had the hypothesis, due to the Effects of Demonetization on petroleum business drastically reduced and the whole petroleum Industry faced the problems. On the basis of the above statistics, we justified our hypothesis is proved.

Conclusion:-Totally we conclude the demonetization of 500 and 1,000 notes may be in the interest of the nation to avoid block money circulation, Jammu Kashmir violence, Havala transactions, recovery of excess currency notes which was in circulation unaccountably, to avoid naxal activities, terrorist activities, and fake currency notes, opening of 2.26 crore jandhan accounts recovery of 4,700 crores block money and recovery of 14 lakhs crore old

notes, to eradicate corruption in public life and opening new concept of digital transactions to achieve cash less economy which is the dream of union government of India. At the same time it has disturbed the small entrepreneurs, farmers, old age people, poor and middle class people, unorganized working class, who are living in remote areas of India who has no Knowledge of digitalization and petroleum business for the time being.

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