



## IMPACT OF DEMONETIZATION AMONG THE GENERAL PUBLIC IN ERODE DISTRICT- AN EMPIRICAL INVESTIGATION

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### **Introduction**

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. The opposite of demonetization is remonetization where a form of payment is restored as legal tender.

There are multiple reasons why nations demonetize their local units of currency. Some reasons include to combat inflation, to combat corruption, and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

### **Demonetisation In India 2016**

The demonetization of ₹.500 and ₹.1000 banknotes was a policy enacted by the Government of India on 8 November 2016, ceasing the usage of all ₹.500 (US\$7.40) and ₹.1,000 (US\$15) banknotes of the Mahatma Gandhi Series as legal tender in India from 9<sup>th</sup> November 2016.

The announcement was made by the Prime Minister of India, Narendra Modi in an unscheduled live televised address at 20:00 Indian Standard Time (IST) on 8th November 2016. In the announcement, Modi declared that use of all ₹.500 and ₹.1,000 banknotes of the

Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new ₹.500 and ₹.2,000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes.

The government claimed that the demonetization was an effort to stop counterfeiting of the current banknotes allegedly used for funding terrorism, as well as a crackdown on black money in the country. The move was also described as an effort to reduce corruption, the use of drugs, and smuggling.

However, in the days following the demonetization, banks and ATMs across the country faced severe cash shortages with severe detrimental effects on a number of small businesses, agriculture, and transportation. People seeking to exchange their notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. Also, following the announcement, the BSE SENSEX and NIFTY 50 stock indices crashed for the next two days. Initially, the move received support from several bankers as well as from some international commentators. It was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India. As the cash shortages grew in the weeks following the move, the demonetization was heavily criticised by prominent economists, such as Kaushik Basu, Paul Krugman, Amartya Sen and Steve Forbes.

### **Statement of The Problem**

Demonetization plays a vital role in an economy, which affects various fields like business, real estate, share market, etc., where cash transactions get limited due to the shortage of money supply which affects GDP. Opinion towards demonetization may vary from one person to another person. There are many problems faced by the respondents due to demonetization. The level of satisfaction towards demonetization of the respondents also differs from person to person.

The present study aims to answer to the following questions:

1. Is demonetization is really essential in today's scenario or not?
2. What type of alternative mode of payment is mostly used by the general public after demonetization?
3. Whether the general public agrees/disagrees towards introduction on demonetization?
4. Is any inconvenience faced by the general public due to demonetization or not?.

### **Scope of The Study**

The study will give a clear idea about the impact of demonetization in an economy, especially in Erode District, and also will help to address the difficulties faced by the respondents and their satisfaction level towards demonetization.



### Objectives of The Study

Following were the objective of the study:

1. To study the conceptual aspects on demonetization.
2. To evaluate the opinion of respondents towards banning of old currencies.
3. To measure the level of satisfaction among the respondent towards demonetization.
4. To find out the problems faced by the respondents due to demonetization.
5. To recapitulate the key findings of the study towards demonetization and to offer valuable suggestions.

### Research Methodology

The validity of any research was based on the systematic method of data collection and analysis. The present study used both the primary as well as secondary data. The primary data is collected from the general public in Erode District. Structured questionnaires were prepared and circulated among the general public. Firsthand information were collected and tabulated in a systematic manner. The secondary data were collected for the study from website, books, magazines and internet source and were used for this purpose.

**Sampling:**The simple random sampling method was used to collect the pertinent data from the respondents. The study was conducted among general public in Erode District.

**Sample Size:**Sample size refers to number of items to be selected from the universe to constitute the sample. The sample size of this research is 150 respondents i.e., the general public in Erode District.

**Sample Technique:**The respondents were selected by using random sampling method. Probability sampling is also known as “RANDOM SAMPLING” or “CHANCE SAMPLING”. Under this sampling design every item of the universe has an equal chance of inclusion in the sample.

**Area of Study:**The area of study chosen is Erode district.

**Nature of The Data:**The study has been achieved by using both primary as well as secondary data.

**Primary Data:**The primary data are those which are collected a fresh and for the first time and thus happen to be original in character. Primary data is collected from the respondents through structured questionnaire (150). The basic information that is collected by the researcher from the respondent is called as Primary data.

**Secondary Data:**The Secondary data, on other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. A part from the primary data, secondary data are also used in the present study. Website, books, magazines and internet sources were referred for this reason to enable proper understanding of the study.

**Tools For Data Collection:**In the process of data collection, questionnaire was the main tool. The questionnaire was prepared in a systematic way with relevant and adequate questions to fulfill the research objectives. Finally, it was collected from the respondent in the study area.

**Data Collection:**The questionnaire was used to collect the data from the selected respondents (primary sources). A well-structured questionnaire was developed to collect data towards demonetization.

**Data Analysis:**The data collected from the primary data source were arranged and tabulated in the systematic order in the master table.

### Tools For Analysis

- a. Simple percentage analysis
- b. Chi-square Test
- c. Weighted average score ranking method

### Period of The Study

The study covers a period of six months from November 2016 to April 2017.

### Limitations of The Study

1. The result of the analysis made in this study fully depends on the information given by the respondents only.
2. Data given by the respondents have the limitation as to their satisfaction, problem and opinion.
3. The study is confined to the respondents of Erode District. Hence the findings and suggestions are applicable only to Erode District.
4. Due to time constraints, the sample size is limited to 150 respondents. With limited respondents the findings may not be applicable to the total population.
5. The effectiveness of the study may be affected due to the personal bias of the respondent.

### hypothesis

- a. Gender has no influence over the level of satisfaction on demonetization.
- b. Age has no influence over the level of satisfaction on demonetization.
- c. Educational qualification has no influence over the level of satisfaction on demonetization.
- d. Marital status has no influence over the level of satisfaction on demonetization.
- e. Occupation has no influence over the level of satisfaction on demonetization.
- f. Monthly income has no influence over the level of satisfaction on demonetization.

### Findings and Suggestions

#### Simple Percentage Analysis

1. Majority 50.7% of the respondents are under the category of female.
2. Majority 40.7% of the respondents are under the category of Above 40 years
3. Majority 39.3% of the respondents are qualified with PG level.
4. Majority 67.3% of the respondents are married.
5. Majority 20.0% are Private employees.
6. Majority 37.3% of the respondents earn Below Rs.25000.
7. Majority 76.7% of the respondents agreed the new terms by Modi government regarding demonetization.
8. Majority 31.3% of the respondents opine that demonetization is a bold action in right direction.
9. Majority 51.3% of the respondents faced inconvenience due to demonetization and they didn't mind it.
10. Majority 48.0% of the respondents opine that demonetization is essential but public suffers a lot.
11. Majority 64.7% of the respondents opine that ATMs were not restocked with cash.
12. Majority 60.0% of the respondents visited 1-3 times at ATMs/Banks in a week.
13. Majority 36.7% of the respondents spent below 1 hour at ATMs/Banks in a day.
14. Majority 62.0% of the respondents opine that, there was no sufficient amount for withdrawal from ATMs/banks.
15. Majority 56.0% of the respondents opine that middle class people suffered a lot due to demonetization.
16. Majority 79.3% of the respondents exchanged their old notes at bank & post office.
17. Majority 41.3% of the respondents use debit cards after demonetization.
18. Majority 44.0% of the respondents opine that demonetization has a medium impact.
19. Majority 76.0% of the respondents opine as some anti-corruption activities are reduced due to demonetization.
20. Majority 36.7% of the respondents opine that demonetization help to avoid black money.

#### Chi-Square Test

Age and Educational qualification of the respondents has influence over the level of satisfaction on demonetization. Gender, Marital status, Occupation and Monthly income of the respondents has no influence over the level of satisfaction on demonetization.

#### Weighted Score Analysis

Majority of the respondent's ranked "bank provide only limited cash" as the major problem faced by them due to demonetization

#### Suggestions

The following suggestions have been made based on the findings of the study.

1. The government should have made proper arrangements before devaluing the money in order to protect the public from facing difficulties.
2. The ATM's must be restocked with the regular supply of cash to reduce public inconvenience.
3. Circulation and issue limit of currency notes during demonetization should have been increased.
4. Awareness programs to the general public regarding alternative mode of payments are the need of the hour.
5. Time limit for exchanging the old currency notes must have been increased at the time of demonetization.

### Conclusion

Central government's recent decision to demonetize the high value currency is one of the major steps towards the eradication of black money in India. The demonetization drive will affect some extent to the general public, but for larger interest of the country such decisions are inevitable. Also it may not curb black money fully, but definitely it has major impact in curbing black money to large extent. In order to bring more transparency and accountability in the system it's necessary to go with digital economy, but we can't fully depends on digital economy we need some percentage of money for daily use.

The bad effects would be only short term and the country will regain its growth momentum in one or two years' time, depending mainly over the government's future course of actions. On the other hand, the positive effects will continue to contribute in the improvement of the economy as well as socio-political scenario of the country.

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**Table .1**

Statement	Factors	No. of Respondents	Percentage
Gender	Male	74	49.3
	Female	76	50.7
Age Group	Below 20 years	9	6
	21-30 years	59	39.3
	31-40 years	21	14
	Above 40 years	61	40.7
Educational Qualification	Up to school level	35	23.3
	UG level	45	30
	PG level	59	39.3
	Others	11	7.3
Marital Status	Married	101	67.3
	Single	49	32.7
Occupation	Private employee	30	20
	Government employee	23	15.3
	Business	22	14.7
	Student	25	16.7
	Agriculturist	27	18
	House wife	23	15.3
Monthly Income	Below Rs.25,000	56	37.3
	Rs.25,000 - Rs.50,000	41	27.3
	Rs.50,000 - Rs.75,000	21	14
	Rs.75,000 - Rs.1,00,000	21	14
	Above 1,00,000	11	7.3
Opinion towards Introduction	Yes, I agree	115	76.7
	No, I don't agree	35	23.3
Opinion towards Banning of Old Notes	Bold action in right direction	47	31.3

Statement	Factors	No. of Respondents	Percentage
	In future there will be some benefits	39	26
	Does not make any changes	13	8.7
	Public suffers a lot	45	30
	Effects on GDP & price	6	4
Opinion about Inconvenience	Yes	60	40
	Yes, but I don't mind it	77	51.3
	No	13	8.7
Opinion towards Essentiality of Demonetization	Yes, absolutely essential	31	20.7
	Essential but public suffers a lot	72	48
	Partially essential	34	22.7
	Not essential	8	5.3
	Not accepted	5	3.3
Opinion about the Availability of Cash	Yes	53	35.3
	No	97	64.7
Frequency of Visit	1-3 times	90	60
	3-5 times	26	17.3
	More than 5 times	34	22.7
Time Spent at ATMS/Banks in a Day	Below 1 hour	55	36.7
	1-2 hours	48	32
	2-3 hours	25	16.7
	3-4 hours	13	8.7
	Over 4 hours	9	6
Opinion towards Withdrawal of Sufficient Amount	Yes	57	38
	No	93	62
Opinion	Rich class	10	6.7
	Middle class	84	56
	Poor	56	37.3
Opinion towards Exchange of Old Notes	Bank & Post office	119	79.3
	Petrol bunk	22	14.7
	Government hospital	7	4.7
	Others	2	1.3
Alternative Mode of Payment	E-wallets and apps	10	6.7
	Internet banking	25	16.7
	Debit cards	62	41.3
	Credit cards	13	8.7
	Cheques	30	20
	NEFT/RTGS	10	6.7
Opinion towards Impact of Demonetization	Very high impact	12	8
	High impact	41	27.3
	Medium impact	66	44
	Low impact	19	12.7
	Very low impact	12	8
Opinion towards Reduction of Anti-Corruption Activities	Yes	114	76
	No	36	24
Opinion towards Reason for Demonetization	To avoid black money	55	36.7
	To develop the economy	19	12.7
	To encourage digital payment	33	22
	To avoid duplicate notes	19	12.7
	To reduce corruption	17	11.3



Statement	Factors	No. of Respondents	Percentage
	To reduce terrorist and naxal movement	7	4.7

**Table 2,Chi-Square Table**

Factor	Degrees of Freedom	Calculated Value	Table Value	Hypothesis Accepted / Rejected
Gender	2	3.472	5.991	Accepted
Educational Qualification	6	17.743	12.6	Rejected
Marital status	2	4.495	5.991	Accepted
Occupation	10	11.960	16.0	Accepted
Monthly Income	8	6.168	15.5	Accepted

**Table 3,Ranking Method**

S. No	Statements	Total Score	Weighted Score	Rank
1	For day to day requirements currencies are insufficient.	981	17.83	II
2	Banks provide only limited cash.	1010	18.36	I
3	Time limit for exchange of currency notes is a barrier.	979	17.8	III
4	Senior citizens face problems while standing in queues.	948	17.23	IV
5	Long queues in bank cause illness to public.	887	16.12	V
6	Loss of pay to the daily workers while exchanging old currencies	743	13.5	VI
7	Bulk transaction causes many problems to the business people.	673	12.23	IX
8	Value of real estate market has come down.	682	12.4	VIII
9	Most of the people were not aware about the alternative modes of Payment	735	13.36	VII
10	Limited transactions are available at banks.	602	10.94	X