

A Study on the Impact of Demonetization among the General Public in Coimbatore City

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ARTICLE DETAILS

Article History

Published Online: 05 October 2018

Keywords

Denomination, Demonetization and Payment.

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ABSTRACT

Demonetization is a situation where the Central Bank of the country (Reserve Bank in India) withdraws the old currency notes of certain denomination as an official mode of payment. The main objective of the study is to evaluate the impact of demonetization among the general public in Coimbatore city. For this purpose a sample of 150 was collected from general public where percentage analysis, chi-square and rank correlation were used as statistical tools to analyse the data. The conclusion is that the general public was satisfied towards the demonetization process but the study revealed that they were effected a lot due to demonetization. For this more economic reforms should be carried out to enrich the GDP growth rate in future.

1. Introduction

On 8 November 2016, the Government of India announced the demonetization of all Rs.500 and Rs.1000 banknotes of the Mahatma Gandhi Series. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The sudden nature of the announcement and the prolonged cash shortages in the weeks that followed created significant disruption throughout the economy, threatening economic output.

Cash withdrawals from bank accounts were restricted to Rs.10,000 per day and Rs.20,000 per week per account from 10 to 13 November. This limit was increased to Rs.24,000 per week from 14 November 2016.

2. Purpose of Demonetization

Bring income and wealth into the banking system, where it can be more easily monitored and, if necessary, taxed;

Help move the population into the digital economy; and,

Eliminate fraudulent currency, which is often used by terrorist groups.

3. Output of Demonetization

Tax receipts were up 16.9% year-on-year in February 2017—a 24% increase in the number of tax receipts filed.⁴ In addition, the number of suspicious transactions reported in the banking system rose to 473,000 in Fiscal Year (FY) 2017, up from 106,000 in FY 2016, a possible source of future tax revenue.⁵

Digital and credit card payments were up by 46% and 65%, respectively, in the year to March 2017.

Anecdotal evidence suggests that demonetization did reduce the activities of violent groups operating in the region for a period.

4. Statement of Problem

Global analysts cut their forecasts of India's GDP growth rate for the financial year 2016-17 by 0.5 to 3 percent due to demonetisation. India's GDP in 2016 is estimated to be US\$2.25 trillion, hence, each 1 per cent reduction in growth rate represents a shortfall of US\$22.5 billion. There was a loss of jobs due to demonetization, particularly in the unorganised and informal sector and in small enterprises. Labour union jobs were crashed. And that was taken as a problem for the study to analyse the impact of demonetization among the general public in Coimbatore city.

5. Objectives of the Study

- To study about the demographic variable of the respondents.
- To know about the impact of demonetization among general public.
- To evaluate the level of acceptance and satisfaction towards demonetization.

6. Scope of the Study

The study is about analyzing the impact of demonetization among general public and the study will help the government to know about the perception of general public towards demonetization and their sufferings which will help them in framing economic reforms in future.

7. Research Methodology

Sampling techniques

- Sampling Plan:** One of the main elements in the research design is sampling plan which is further divided into sampling unit, sampling size, sampling type.
- Sampling Unit:** Sampling unit can be defined as the basic unit containing the general public in Coimbatore city.

c. Sampling Size: In this research, the sample size amount to one hundred and fifty, which are surveyed from general public in Coimbatore city.

d. Sampling Type: Convenience sampling was adopted in this research. It is a non-probability sampling and it is refers to selecting a sample based on convenience.

Data collection

a. Primary data: The primary data the respondents which or collected with a questionnaire schedule was used with general public.

b. Direct questions: In this type, the respondents were asked to answer directly to their questions.

c. Indirect questions: Indirect questions refer to those whose responses are used to indicate or suggest

d. Secondary data: Secondary data were collected from the manuals, journals, magazines and newspapers etc.

e. Tertiary Data: The data were collected from the various literatures which are related to the subject of demonetization.

f. Research Tool: Structures self-administered questionnaire had been used as a research tool for collecting Information.

g. Tools used for the study: Percentage analysis, Chi-square analysis and Rank correlation.

8. Limitations of the Study

- The study is limited to Coimbatore city.
- There may be a bias in primary data collection from the respondents.
- The sample size is limited to 150.

9. Analysis and Interpretation

Demographic profile of the respondents

Demographic profile	Particulars	Frequency	Percent
Gender	Male	105	70
	Female	45	30
	Total	150	100
Age	Below 30	4	2.7
	31 –40 years	54	36
	41 – 50 years	45	30
	51 & above	47	31.3
	Total	150	100
Marital status	Married	4	2.7
	Unmarried	146	97.3
	Total	150	100
Type of family	Joint	12	8
	Nuclear	138	92
	Total	150	100
Members of family	Upto3	10	6.7
	4-5	38	25.3
	6-7	44	29.3
	Above7	58	38.7
	Total	150	100
Place of residence	Rural	71	47.3
	Urban	79	52.7
	Total	150	100
Educational qualification	UG	16	10.7
	PG	33	22
	SSLC	81	54
	Up to 12th	20	13.3
	Total	150	100
Occupation	Business	26	17.3
	Profession	61	40.7
	Employee	35	23.3
	Unemployed	28	18.7
	Total	150	100
Annual income	Up to Rs.1,00,000	38	25.3
	Rs.1,00,001-Rs.2,00,000	61	40.7
	Rs.2,00,001-3,00,000	39	26
	Above Rs.3,00,001	12	8
	Total	150	100

Interpretation

The above table shows about the demographic profile of the respondents. Out of 150 respondents 70% are male and

30% are female. 2.7% are below 30 years of age, 36% are between 31-40 years of age, 30% are between 41-50 years of age and 31.3% are above 51 years of age. 2.7% are married

and 97.3% are unmarried. 8% are from joint family and 92% are from nuclear family. 6.7% are having up to 3 members in their family, 25.3% are having between 4-5 members in their family and 29.3% are having 6-7 members in their family. 47.3% are from rural area and 52.7% are from urban area. 10.7% had completed their UG, 22% had completed their PG, 54% had completed SSLC and 13.3% studied up to 12th standard. 17.3%

are doing business, 40.7% are professionals, 23.3% are employees and 18.7% are unemployed. 25.3% are earning Up to Rs.1,00,000/annum, 40.7% are earning between Rs.1,00,001-Rs.2,00,000/annum, 26% are earning between Rs.2,00,001-3,00,000/annum and 8% are earning above Rs.3,00,001/annum.

10. Impact of Demonetization among General Public

Impact of demonetization	Particulars	Frequency	Percent
Idea about demonetization	To curb Black Money	26	17.3
	To stop use of Fake Currency	64	42.7
	To stop Terror Funding	38	25.3
	To achieve Digital India	22	14.7
	Total	150	100
Category mostly affected by Demonetization	People	27	18
	Industry	61	40.7
	Business	44	29.3
	Profession	18	12
	Total	150	100
Changing the old notes in to new currencies during demonetization	By purchase	66	44
	Cash to Bank	50	33.3
	By Investments	34	22.7
	Total	150	100
Awareness towards news related to Demonetization	Struggle to exchange old Currencies	13	8.7
	Consumption will be hit	50	33.3
	Panic in Local market	34	22.7
	Bad impact on counteract currency	28	18.7
	People do not have cash to buy daily necessities	18	12
	Problem in Medical Expenditure	7	4.7
	Total	150	100

Interpretation

The above table shows about the impact of demonetization among general public. Out of 150 respondents 17.3% said that the idea of demonetization is to curb Black Money, 42.7% said as to stop use of Fake Currency, 25.3% said as to stop Terror Funding and 14.7% said as to achieve Digital India. 18% said that general public are the persons mostly affected due to demonetization, 40.7% said as industry people, 29.3% said as business people and 12% said as professionals. 44% changed the old notes in to new currencies by mode of purchase during

demonetization, 33.3% changed by cash to bank and 22.7% changed by investments. 8.7% struggled to exchange old Currencies after demonetization, 33.3% said that consumption will be hit, 22.7% said that there was a panic in local market, 18.7% said that there was a bad impact on counteract currency, 12% said that people do not have cash to buy daily necessities and 4.7% said that they occurred problem in medical expenditure.

11. Level of Acceptance and Satisfaction towards Demonetization.

Level of acceptance	Particulars	Frequency	Percent
Acceptance towards demonization good for our Indian economy	Strongly agree	15	10
	Agree	43	28.7
	Neutral	49	32.7
	Disagree	19	12.7
	Strongly disagree	24	16
	Total	150	100

Black money spotted due to Demonetization	Strongly agree	15	10
	Agree	46	30.7
	Neutral	44	29.3
	Disagree	33	22
	Strongly disagree	12	8
	Total	150	100
Level of satisfaction with the implementation of Demonetization In India	Highly satisfied	9	6
	Satisfied	49	32.7
	Neutral	32	21.3
	Dissatisfied	25	16.7
	Highly dissatisfied	35	23.3
	Total	150	100
Difficult to change the new currencies by the public	Strongly agree	15	10
	Agree	41	27.3
	Neutral	51	34
	Disagree	29	19.3
	Strongly disagree	14	9.3
	Total	150	100

Interpretation

The above table shows about the acceptance and satisfaction towards demonetization by general public. Out of 150 respondents 10% strongly agree, 28.7% agree, 32.7% are neutral, 12.7% disagree and 16% strongly disagree towards demonization good for our Indian economy. 10% strongly agree, 30.7% agree, 29.3% are neutral, 22% disagree and 8%

strongly disagree towards black money spotted due to Demonetization. 6% are highly satisfied, 32.7% are satisfied, 21.3% are neutral, and 16.7% dissatisfied and 23.3% are highly dissatisfied with the implementation of Demonetization in India. 10% strongly agree, 27.3% agree, 34% are neutral, 19.3% disagree and 9.3% strongly disagree towards difficult to change the new currencies by the public.

Chi-square analysis

Comparison between gender and acceptance towards demonization good for our Indian economy

H0: There is no relationship between gender and acceptance towards demonization good for our Indian economy

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.529 ^a	4	.032

Interpretation

There is a relationship between gender and acceptance towards demonization good for our Indian economy as the level of significance is at 0.032 which is less than 0.05. It depicts that

while taking decision on demonization the demographic factor age should be taken for decision making process of the study.

Comparison between Gender and Black money spotted due to Demonetization

H0: There is no relationship between gender and Black money spotted due to Demonetization

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.420 ^a	4	.000

Interpretation

There is a relationship between gender and black money spotted due to demonetization as the level of significance is at

0.000 which is less than 0.05. It depicts that while taking decision on black money spotted due to demonetization the demographic factor age should be taken for decision making process of the study.

Comparison between Gender and Difficult to change the new currencies by the public

H0: There is no relationship between gender and Difficult to change the new currencies by the public

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.529 ^a	4	.000

Interpretation

There is a relationship between gender and difficult to change the new currencies by the public as the level of

significance is at 0.000 which is less than 0.05. It depicts that while taking decision on difficulty to change the new currencies by the public the demographic factor age should be taken for decision making process of the study.

12. Rank Correlation

S.NO	Particulars	X	Y	R1	R2	D	D ²
1	Limited exchanging currency	35	24	1	2	-1	1.00
2	Very low in Consumption & Production	26	31	2	1	1	1.00
3	Less potential buyers in the Market	25	23	3	3	0	0.00
4	Problem in medical expenditure	12	12	5	5	0	0.00
5	Many rules in withdrawal of currency	14	14	4	4	0	0.00
							2.00
N	5					1-R	0.08
						R	0.92

Interpretation

The above table shows about the rank correlation for criticalities due to demonization were the correlation is at 0.92 which shows that the compared factors are highly correlated. It depicts that limited exchanging currency was the most critical factor at the time of demonetisation.

13. Findings

1. Maximum of the respondents are male.
2. Most of the respondents are between 31-40 years of age.
3. Most of the respondents are unmarried.
4. Maximum of the respondents are from nuclear family.
5. Most of the respondents are having 6-7 members in their family.
6. Most of the people are from urban area.
7. Maximum of the respondents had completed their SSLC.
8. Most of the respondents are professionals.
9. Maximum of the respondents are earning between Rs.1,00,001-Rs.2,00,000/annum.
10. Most of the respondents said that the idea of demonetization is to stop use of Fake Currency
11. Maximum of the respondents said that industry people are the persons mostly affected due to demonetization
12. Most of the respondents changed the old notes in to new currencies by mode of purchase during demonetization
13. Maximum of the respondents said that consumption will be hit

14. Most of the respondents are neutral towards the statement demonization good for our Indian economy
15. Maximum of the respondents agree towards black money spotted due to Demonetization
16. Most of the respondents are satisfied with the implementation of Demonetization in India
17. Maximum of the respondents agree that it was difficult to change the new currencies.
18. There is a relationship between gender and black money spotted due to demonetization
19. Limited exchanging currency was the most critical factor at the time of demonetisation.

14. Suggestions

Some may opt to disclose their black money as 'current income' and get away by legally paying around 35% tax; this too should be welcomed. Another alternative is to offer low-yielding, long-term bonds that would convert black to white; the government would gain by getting money cheaply.

Demonetisation will not stop the corruption that creates black money. For this the governments have to attack its underlying sources.

15. Conclusion

The conclusion is that the general public was satisfied towards the demonetization process but the study revealed that they were affected a lot due to demonetization. For this more economic reforms should be carried out to enrich the GDP growth rate in future.

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