

A Study on Impact of Demonetization on Rural Public with Special Reference to Tirunelveli District

¹Dr. S. Sundaramoorthy & ²A. Abirami

¹Assistant Professor, Department of commerce Sri paramakalyani College, Alwarkurichi, Tirunelveli (India)

²Assistant Professor, Department of commerce, Sri Ram NallamaniYadava College of Arts & Science Tenkasi, Tirunelveli (India)

ARTICLE DETAILS

Article History

Published Online: 05 October 2018

Keywords

Demonetization, Currency note, Rural area, New currency, Black Economy

ABSTRACT

Demonetization is a tool of Government to eliminate the currency. It had a great significant and immediate impact on the state of the Indian economy. It is the process of introducing new notes of the same currency or completely replacing the old currency with new currency. The Indian agrarian economy which is highly unorganized is primarily cash based. Mostly people in rural areas depend on cash for their day to day activities. The Prime Minister's decision of demonetization on 8 November, 2016 highly impacts the livelihood of rural people with regard to cash transaction. This paper investigates the impact of demonetization on rural public in Tirunelveli district. Judgment sampling technique was used to collect data from primary and secondary sources. 50 samples were collected through a structured questionnaire from general public in rural areas. The major finding of the study is that majority of the public realize demonetization helps to destroy black money and also it fighting corruption at large.

1. Introduction

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. On November 8, 2016, Prime Minister Narendra Modi in a surprise announcement said the existing higher denomination currency (Rs. 500 and Rs. 1000) will cease to be legal tender. PM said this is government's biggest push to fight black money and end corruption.

Demonetization is required for the four main reasons

- Stopping the funding of terrorism
- Facing the problem of fake Currency
- Eliminate the 'Black economy'
- Reducing the corruption, etc. and to make India a cashless digital economy

A rural populated country especially in India most of the rural populations are engaged in agricultural activities. Agriculture forms the backbone of the country's economy. Demonetization has affected every Indian, but it has hit the agricultural sector badly. Farmers, who are the backbone of our economy, were severely affected by the note demonetization of 8 November 2016, like they were unable to access crop loans and commodity supplies in rural markets declined. Another move by the government was to introduce cashless economy through digitalization of transactions. In rural areas, 93 percent of the people in rural India have not done any digital transactions due to lack of literacy of technology especially in Internet. In this context the present paper tries to address whether demonetization is Bone or bane of the rural area in Tirunelveli District.

2. Statement of the Problem

The 'demon' in demonetization is in the beginning. Any Government withdraws the legal tender rights of any denomination of currency, it is known as demonetization. Indian government adopted demonetization on 08 November 2016 to tackle with black money and make India a cashless digital economy. For this adoption taken by Prime Minister Mr. Narandar Modi is one the most historical steps in India. There are numerous reasons why nations demonetize their local units of currency. Some reasons include to brush-off inflation, to brush-off corruption, and to dispirit a cash system. However, Demonetization is a generation's memorable experience and is going to be one the economic events of our time. In the beginning it gives intricacy to every Indian citizen. In the process of curbing black money the innocent common people and poor had seemed most suffered like, those people who do not have access to post offices and banks had seemed panicking for exchanging notes. Those families who had weddings and other special occasions are depressed due to lack of money which result thousands of wedding thousands of weddings have been cancelled which impacted the vendors who supply for those weddings.

The problem of the demonetization is largely associated with the rural areas of the country have lesser number of banks and ATMs compared to the urban areas and semi-urban areas. The problem was not the inaccessibility of the banks and ATMs, but the limit on cash which can be withdrawn. A farmer can take a day out from his busy schedule and manage to go to bank and get the cash back; however the limit on the amount withdrawal forces him to do that again and again. Therefore, the government's step to curb black money and fake currency has hit hard to poor people the most. Hence the researcher attempts to analyze the impact of demonetization in rural areas.

3. Objectives of the Study

- To analyze the demographic profile of the respondents.
- To identify the rural people's impact on demonetization.
- To evaluate problems of rural people during demonetization period.

4. Research Methodology

A. Area justification:

This study is conducted in rural part in Tirunelveli District. Because the population of rural part in Tirunelveli district is 15.6 lakhs it is the 6th most rural

populous district and also 3rd biggest rural district by area in the state (5636 km²).

B. Data Collection

Primary data were collected through a well-structured Questionnaire. Secondary data collected from various magazines, newspaper and websites.

C. Sampling Design

A sample of 50 respondents was taken on the basis of judgment sampling method.

D. Statistical Tool

Percentage, Mean score, Chi square, Garrett ranking score has been used.

5. Demographic Profile of the Respondents

Table 1
Demographic Profile of the Respondents

Factors	No. of respondents = 50	Percentage
Gender		
Male	32	64
Female	18	36
Age (years)		
Up to 25	7	14
26 to 50	29	58
Above 50	14	28
Educational qualification		
Up to school level	29	58
Graduate	5	10
Post graduate	13	26
Illiterate	2	4
Occupation		
Farmers	22	44
Service jobs	10	20
Shopkeeper & trades man	10	20
Labourer	8	16
Annual income		
Less than Rs.40,000	17	34
Rs. 40,000 to Rs. 80,000	16	32
Rs. 81,000 to Rs. 2,00,000	11	22
More than Rs. 2,00,000	6	12

Source: Primary Data

Table 2
Opinion regarding Objectives of Demonetization

S.No	Opinion	1	2	3	4	5	Garrett Score	Garrett Rank	Average Score
1	Curbing black money	15	8	12	9	6	2715	II	54.30
2	Reducing corruption	10	14	7	11	8	2580	IV	51.60
3	Curbing terrorist and naxalite activities	11	13	11	9	9	2740	I	54.80

4	Eliminating fake currency notes	13	10	12	9	6	2685	III	53.70
5	Moving towards cashless economy	1	5	8	12	21	1780	V	35.60

Source: Primary Data

The above table shows that the Garrett scores and the average scores of each opinion. The average scores are ranked according to their values. The first rank is given to Curbing terrorist and Naxalite activities, second rank to Curbing black

money, third rank to Eliminating fake currency notes, fourth rank to Reducing corruption and fifth rank to Moving towards cashless economy

Table 3
Problems faced by the people during demonetization period

Impact	Good	Bad	Very Bad	No effect	Mean Score	Rank
Employment / business	1	30	13	6	2.52	VII
Payment of monthly income	1	29	12	8	2.46	VIII
High impact on Real estate, gold rate, stock exchanges	5	10	32	3	2.34	IX
Difficult to fulfill their day to day activities	18	19	9	4	3.02	I
Purchase of inputs like seeds from market by farmer	6	24	16	4	2.64	V
Unavailability of cash at banks & ATMs	5	29	10	6	2.66	IV
Sale of crops	15	24	7	4	3	II
The intermediaries and commission agents play main role	19	12	11	8	2.84	III
The price of essential commodity will be fluctuated	12	16	9	13	2.54	VI

Source: Primary Data

Table 3 shows that out of the total respondents, based on the means score ranks are assigned to problems faced by the public during demonetization period. It is evident from the table that, difficult to fulfill their day to day activities got 1st rank; 2nd rank goes to Sale of crops; 3rd rank occupied to The intermediaries and commission agents play main role;

Unavailability of cash at banks & ATMs by 4th rank; Purchase of inputs like seeds from market by farmer got the 5th position; The price of essential commodity will be fluctuated ranked by 6th by the respondents; 7th rank occupied to Employment / business ;Payment of monthly income got 8th position; 9th rank goes to High impact on Real estate, goldrate, stock exchanges.

6. Occupation and Impact of Demonetization

H0: There is no significance difference between occupation and Impact of demonetization

Table – 4
ANOVA

	Sum of Squares	d.f.	Mean Square	F	Sig.
Between Groups	138.069	1	138.069	216.935	.000
Within Groups	36.914	58	.636		
Total	174.983	59			

Source: Computed Data

The significance of variance, i.e., p-value, given under the head Sig. is 0.000. Since, the significance value 0.000 is less than the 0.05, the variance between occupation and impact of

demonetization is significant. That means Null hypothesis is rejected.

7. Conclusion

The demonetization of the highest denomination note undertaken by the government is a big shock to the Indian. The demonetization is taken for several measures such as tax evasion, counterfeit currency and funding of illegal activities. However preparation for demonetization was asymmetrical and its impacts were terrible on Indian public, particularly, it effected seriously in rural area where access to banking and the internet are quite low. Small and marginal farmers were most affected in contrast to large farmers in case of sowing, purchase of inputs

and sale of agricultural commodities. Consequently, the People perception about demonetization was changed, during demonetization period they were more hopeful for good results but after 1 year they are disappointed about fulfillment of their expectation from demonetization. With considering their past experience they felt for killing ten crocodiles, government pumped out all water from the pond results killing ten thousand fish in pond but Crocodiles walked off on dry sand because the demonetization severely affected the livelihood of rural people

than the black money holder. On the other hand, in view of digital economy (Cashless transaction) majority of the people realize it has positive impact on India's progress like reducing

block money, checking terrorist and naxalite activities etc. finally this article concluded that the objective of demonetization was good but implementation was poor.

References

1. ArvindMadhukarandKulkarni&PratapVyankatraoNaikwade, (2018) "Impact of Demonetization on Farmers and Other People from Rural Background and Their Perception on Demonetization", Aayushi International Interdisciplinary Research Journal (AIIRJ).
2. Virendra B. Shahare, (2017) "Assessing the impact of demonetization onrural economy", Jharkhand Journal of Development and Management StudiesXISS, Ranchi, Vol. 15, No.2, pp. 7311-7324
3. Mrs. N.Supriya, &Ms. Asra Sultana, (2018) "Demonetization – It's impact on Common Man",International Journal of Engineering Technology Science and Research, ISSN 2394 – 3386, Volume 5, Issue 1.
4. AmandeepKaur&ArtiSehdev, " DEMONETIZATION: IMPACT ON RURAL INDIA", international conference on recent innovation in science,agricultural, engineering and management, ISBN: 978-93-86171-80-1
5. K. Veerakumar, (2017) "A STUDY ON PEOPLE IMPACT ON DEMONETIZATION", International Journal of Interdisciplinary Research in Arts and Humanities (IJIRAH), Impact Factor: 4.675, ISSN (Online): 2456 – 3145, (www.dvpublication.com) Volume 2, Issue 1.