



A STUDY ON PEOPLE IMPACT ON DEMONETIZATION

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Abstract:

The demonetization had a great significant and immediate impact on the state of the Indian economy. In this paper, an attempt has been made to find impact of demonetization on the public. Samples of 100 respondents were randomly selected from Coimbatore District. It is found that four variables namely gender, age, annual income, occupation have significant association with the impact of demonetization. It also results that demonetization helps to destroy black money is the first ranking given by the respondents and it is followed by corruption, terrorism etc.

Key Words: Demonetization, Black Money, Government, Corruption & Currency Etc.,

Introduction:

Demonetization is the most important and necessary when there is a change of national currency. The old unit of currency replaced with new currency. Demonetization is the process where government declares the currently running currency notes illegal to be tender after the declaration is made. There are both pros and cons of demonetization in the Indian economy. The reasons for demonetization are to control counterfeit notes that could be contributing to terrorism, and to undermine or eliminate the "black economy". There are some potentially ways in which the pre-demonetization money supply will stand altered:

- ✓ There would be agents in the economy who are holding cash which they cannot explain and hence they cannot deposit in the banking system. This part of the currency will be extinguished since it would not be replaced in any manner.
- ✓ The government might choose to replace only a part of the currency which was in circulation as cash. In the other words, the rest would be available only as electronic money. This could be a mechanism used to force a transition to cashless medium of exchange.
- ✓ The empirical extent of these two components will be unraveled only over the next six months.
- ✓ These two would have different effects on the economy in the short term and in the medium term, as will be explored below.

Demonetization in India:

- ✓ 1946: Rs1,000, Rs5,000, and Rs10,000 notes were taken out of circulation in January 1946. The Rs10,000 notes were the largest currency denomination ever printed by the Reserve Bank of India, introduced for the first time in 1938. All three notes were reintroduced in 1954 .
- ✓ Historically, previous Indian governments had demonetized bank notes. In January 1946, banknotes of Rs1,000, Rs5,000, and Rs10,000 notes were taken out of circulation. The Rs10,000 notes were the largest currency denomination ever printed by the Reserve Bank of India, introduced for the first time in 1938. In the year 1945 all three notes were reintroduced.
- ✓ In 1977 Wanchoo committee (set up in 1970s), a direct tax inquiry committee, suggested demonetization as a measure to unearth and counter the spread of black money.
- ✓ On 28 October 2016 the total banknotes in circulation in India was Rs.17.77 trillion (US\$260 billion). In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to Rs.16.42 trillion (US\$240 billion) of which nearly 86% (around Rs.14.18 trillion (US\$210 billion)) were Rs.500 and Rs.1,000 banknotes. They were taken out of circulation from 2016.

Need for the Study:

- ✓ The fake Indian currency notes in higher denomination have increased.
- ✓ Unaccounted money, often used in any form of corruption and illegal activities.
- ✓ The Financial Action Task Force, a global body that looks at the criminal use of the international financial system, notes that high-value bills are used in money laundering schemes, racketeering, etc.,
- ✓ In the United States, the highest denomination bank note is \$100 and United Kingdom, the highest denomination bank note £50.
- ✓ The highest denomination note is essentially 50-100 times the smallest denomination note of one dollar or one pound.
- ✓ In India, up until now the highest denomination note was Rs 1,000 and this was 1,000 times the smallest denomination note of Re 1 (Note: Re 1 notes are issued by the ministry of finance).

Review of Literature:

Arpit Guru and Shruti Kahanijow (2010) researcher analysed the black money income? Need for amendment in DTAA & ITEA and analysed that black money is spread everywhere in India up to a large extent

which continuously stashed towards abroad in a very large amount. The researcher also identified how black money had caused menaces in our economy and in what ways it is used.

Sukanta Sarkar (2010) conducted a study on the parallel economy in India: Causes, impacts & government initiatives in which the researcher focused on the existence of causes and impacts of black money in India. According to the study, the main reason behind the generation of black money is the Indian Political System i.e. Indian govt. just focused on making committees rather than to implement it .The study concludes that laws should be implemented properly to control black money in our economy.

Tax Research Team (2016) in their working paper stated in favour of demonetization Its main objective is to analyze the impact of demonetization on Indian economy. This paper shows the impact of such a move on the availability of credit, spending, level of activity and government finances.

Objectives of the Study:

- ✓ To describe the demonetization concept in India.
- ✓ To analyze the demographic profile of the respondents in Coimbatore District.
- ✓ To identify the people’s impact on demonetization.

Research Methodology:

Coimbatore District is the study area selected for this research. Primary data is collected through well-structured questionnaire. Samples of 100 respondents in Coimbatore District have been selected by using random sampling method. The collected information were reviewed and consolidated into a master table. For the purpose of analysis the data were further processed by using statistical tools. The statistical tools are

- ✓ Simple Percentage
- ✓ Chi-Square Test
- ✓ Ranking Method

Limitations of the Study:

- ✓ The study is restricted to the selected sample of Coimbatore District and hence the result of the study cannot be generalized.
- ✓ The statistical methods used to analyze the data have their own limitation.
- ✓ All the limitations of primary data are applicable to this study.

Analysis and Interpretation:

1.1 Demographic Profile of the People:

Table no.1 describes the demographic profile of the respondents for the study. Out of 100 respondents who were taken for the study: it has been identified that most (63%) of the respondent are male, (57%) whose age group is under 26 to 50 years, most (68%) of the respondents are up to school Level, (46%) of the respondents are businessman and the annual income of (44%) respondents is above Rs.2,50,000, (64%) of the respondents belong to nuclear family

Table 1: Demographic Profile of the Respondents

Factors	Number Of Respondents N=100	Percentage
Gender		
Male	63	63
Female	37	37
Age (Years)		
Up to 25	14	14
26 to 50	57	57
Above 50	29	29
Educational Qualification		
Up to School Level	68	68
Graduate	21	21
House wife	11	11
Occupation		
Business	46	46
Employee	30	30
Professionals	24	24
Annual Income		
Up to Rs.1,00,000	14	14
Rs.1,00,001 to Rs.2,50,000	42	42
Above Rs.2,50,000	44	44
Type of Family		
Nuclear Family	36	36
Joint Family	64	64

Table 2: Relationship between the Demographic Profile of the respondents and Impact of Demonetization

Variables	Level of Awareness			Total	χ^2 Value	Table Value	Remarks
	Low	Moderate	High				
Gender							
Male	13	22	38	63	7.634	5.991	S
Female	8	13	16	37			
Age (Years)							
Up to 25	4	5	5	14	11.499	9.488	S
26 to 50	17	26	14	57			
Above 50	12	5	12	29			
Educational Qualification							
Up to School Level	26	20	22	68	6.178	9.488	NS
Graduate	8	8	5	21			
House wife	4	3	4	11			
Occupation							
Business	13	17	16	46	11.823	9.488	S
Employee	5	19	6	30			
Professional	9	8	7	24			
Annual Income							
Up to Rs.1,00,000	5	3	6	14	21.823	9.488	S
Rs.1,00,001 to Rs.2,50,000	10	19	13	42			
Above Rs.2,50,000	14	18	12	44			
Type of Family							
Nuclear Family	7	20	9	36	3.598	5.991	NS
Joint Family	18	34	12	64			

*significant at 5% percent level

1.2 Relationship between the Demographic Profile of the Respondents and Impact of Demonetization:

Table no.2 depicts the relationship between selected demographic variables and Level of Impact of demonetization of the respondents. It is clear that , the calculated Chi-square value is less than the table value at five percent level, there does not exists any significant association between educational qualification ,type of family of the respondents and level of impact on demonetization. Thus the null hypothesis is accepted. It is clear that, the calculated Chi-square value is greater than the table value at five percent level, there exists a significant association between gender, age, annual income, occupation and level of impact on demonetization. Thus the null hypothesis is rejected.

Table 3: Shows the Factors Impacting the People's on Demonetization

Factors	5	4	3	2	1	Total	Mean Score	Rank
Demonetization helps to Destroy Black money in India	14	54	18	4	10	100	3.74	1
Demonetization helps to destroy corruption, illegal activities etc.,	42	26	14	4	14	100	3.68	2
Implementation of Electronic Payment	20	30	14	24	12	100	3.22	5
People are affected by demonetization	22	38	16	16	08	100	3.7	3
High impact on Real estate, gold rate, stock exchanges	28	38	8	8	18	100	3.5	4

1.3 Factors Impacting the People's on Demonetization:

The above table shows about the weighted average of each factor regarding the impact of demonetization. From the calculated weighted average demonetization destroy of black money is been the first by the respondents and it is followed by corruption, terrorism etc.,

Conclusions:

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. Some people are depositing currency notes in excess of specified limits directly

into bank accounts has showed the unaccounted income, subject to higher tax and other penalties. Alternative payment methods, such as e-wallets, online transactions using e-banking, debit and credit card usage have been increased and this will shift an efficient cashless infrastructure.

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