

Impact Of Demonetization With Special Reference To Tiruchirappalli District

Dr. D. John Prabakaran M.com, M.Phil., Ph.D.,
varshiprabaa@gmail.com
Assistant Professor
PG Department of Commerce Computer Application,
St. Joseph's College (Autonomous), Affiliated To Bharathidasan University,
Tiruchirappalli-620 002. Tamilnadu

ABSTRACT

According to Former Prime Minister Manmohan Singh “the demonetization drive will have disastrous effect on economy”. Demonetization of currency is a radical monetary step in which a currency units status as a legal tender is declared invalid. In November 2016, the government of India has taken a bold step to demonetize Rs. 500 and Rs. 1000 currency notes which are the two biggest denominated notes accounted for nearly 80 percent of the currency supply. In India demonetization move has been taken to unearth black money, to trace fake currency, to transform Indian economy into cashless economy, to control terror funding and so on. This decision taken by the government is for welfare of the nation, but so many questions comes in mind that, what will be the short term and long term impact of this decision on Indian economy? What is the impact of this decision on common people? Would the Indian economy be prosperous or would be poor and so on.

INTRODUCTION

Demonetization is the act of removing the current currency from the economy and replacing it with the new one. It is the step taken up by the Government generally with the motive of removal of corruption. Moreover it is the act of depriving of value of currency for official payment. It does not only include the currency but also include the precious metals. Originally Demonetization is the French word “Demonetiser” dating back to 1850-55. The reasons for the Demonetization is to fight with inflation, to beat the corruption, to remove counterfeit currency and to discourage the cash system. Developing country like India has to find the solution of problems like this for betterment of the country. In 1982, Ghana took the decision to demonetize their 50 cedi currency. Which created chaos and the decision was not well comed. Afterwards Nigeria (in 1984), Myanmar (in 1987), Soviet Union (1991) , North Korea and Zimbabwe had also took this type of decision in past. Demonetization is the most important and necessary when there is a change of national currency. The old unit of currency replaced with new currency.

RESEARCH PROBLEM

Problem formulation is the first step in the research process. Problem formulation identify that the people will be affected or not in the demonetization. This study aims that identifying the various problems after the announcement of Demonetization. The research problem is identifying the problems of the people facing after the announcement of demonetization with the special reference to Tiruchirappalli District.

OBJECTIVES

- ❖ To describe the demonetization concept in India and identify if the people's are impact on demonetization or not.
- ❖ To analyse the demographic profile of the respondents in Tiruchirappallai District
- ❖ To work out the probable consequences of the Demonetization.
- ❖ To describe the impact of demonetization adopted in 2016 by present government on Indian economy and system.

REVIEW OF LITERATURE

Shanbhogue Girish, Kumar, A. Prashanth, Bhat, Swathi and Shettigar, Chethan (2016) defined currency ban as a move to stop counterfeit bank notes were allegedly used for terror financing, as well as a surgical strike to black money and corruption in the country. Demonetisation leads to cash shortages in the country which proves detrimental to a number of small business, agriculture and transportation. The shortage of cash led to chaos and most people faced problems to exchange their banknotes due to long queues outside banks and ATMs across the country. This demonetisation step was proved to be the biggest attack on black money and corruption in the history of Indian Economy and a movement toward digitalisation. It also encourages digital payments. They concluded that Demonetization is advantageous in short, medium and long-term.

Muthulakshmi, E. Kamatchi (2017) in her paper entitled "Impacts of Demonetisation on Indian Economy-Issues & Challenges" states that when the money is withdrawn from the economy, the country will not be benefited in short term. On the other hand, if the money paves its way into the economy it would have a positive and meaningful impact. She also states that the demonetisation move, on one hand, was a serious attack on black money, corruption, hawala transaction, counterfeit currency and terror financing. On the other hand, it had a negative impact on various sectors like commodities and real estate.

Shah, Ayash Yousuf (2017) stated that Demonetization is one of the major steps in fighting against corruption, black money and terror funding. However, this decision was taken without proper preparation and it adversely impacted the public. Without printing enough new currency notes 86% of the currency notes were withdrawn thrashing all market transactions. Only common people had to face problems exchanging their notes, not the people who were targeted. With an intention to rid the country of black money and dig out tax defaulters and black money holders, the government has taken the step to demonetized Rs 500 and Rs 1000 notes. The sudden announcement of demonetisation and failing to plan properly has created chaos among the general public. Common people are facing problems buying with no money in their hands, wasting their time standing in endless queues could have easily been avoided with advance planning.

Veerakumar, K. (2017) posits that the announcement of demonetization of 500 and 1000 currency notes by the government is a big shock to the citizen of India. The highest currency notes are withdrawn from the economy to counter the problem of tax evasion, counterfeit currency and financing of terror activities. It is shown that huge money is being deposited into the bank accounts which are more than specified limits and are subject to penalties and taxes. Usage of e-wallets, debit and credit card has been increased tremendously and this will create better cashless infrastructure.

Abhani Dhara K. (2017) posits that this Demonetisation is proving to be more successful than the previous two. The era is changing. People are using online banking as a mode of payment. Bank employees are giving their best to make the demonetisation a successful one. Their support matters a lot. Though the demonetisation move has failed to grab total black money in the economy, this has at least created fear in the minds of people holding black money. He concluded that demonetisation was a compulsory step to tackle the problem of black money, terrorism and corruption etc.

Shukla, Bal Govind and Gupta, Hariom (2018) in their paper entitled “An Exploratory Study Of Business Students Perspectives On Demonetization In India: With Special Reference To Allahabad City”. They used primary data for their study and concluded that the people actively support any initiative taken by the government which are basically targeted to eradicate corruption, black money, and any other threats like terrorism and naxalism in the country.

TABLE: 01
THE CURRENCY CHANGE IS A BENEFIT OF THE GOVERNMENT

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	30	30%
Agree	22	22%
Strongly Disagree	10	10%
Disagree	32	32%
Neutral	6	6%
Total	100	100%

SOURCE: PRIMARY DATA

It could be ascertained from the TABLE-01 that, 30% of the respondents strongly agree with the statement that “The currency change is a benefit of the government”.22% of the respondents agree with the statement that “The currency change is a benefit of the government” 10% of the respondents strongly disagree with the statement that “The currency change is a benefit of the government”. 32% of the respondents disagree with the statement that “The currency change is a benefit of the government”. The remaining 6% of the respondents are Neutral.

Hence it could be ascertained from the TABLE-01 that, maximum 52% of the respondents agree with the statement that “The currency change is a benefit of the government”

TABLE: 02
DEMONETIZATION CAN ALSO BE USED TO GET FAKE CURRENCY OUT OF CIRCULATION

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	33	33%
Agree	22	22%
Strongly Disagree	11	11%
Disagree	13	13%
Neutral	21	21%
Total	100	100%

SOURCE: PRIMARY DATA

It could be found from the TABLE-02 that, 29% of the respondents strongly agree with the statement that “Demonetization can also be used to get fake currency out of circulation”. 8%

of the respondents agree with the statement that “Demonetization can also be used to get fake currency out of circulation” . 19% of the respondents strongly disagree with the statement that “Demonetization can also be used to get fake currency out of circulation” . 21% of the respondents disagree with the statement that “Demonetization can also be used to get fake currency out of circulation” . The remaining 23% of the respondents are Neutral.

Hence it is found to be ascertained from the TABLE-02 that, 55% of the respondents agree with the statement that “Demonetization can also be used to get fake currency out of circulation.

TABLE: 03**MONEY DEPOSITED IN THE BANK DURING DEMONETIZATION CAN BE TAXED ESPECIALLY IF THE AFFECTED PARTIES WERE TRYING TO EVADE TAXATION BY KEEPING HARD CASH**

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	14	14%
Agree	50	50%
Strongly Disagree	10	10%
Disagree	20	20%
Neutral	6	6%
Total	100	100%

SOURCE: PRIMARY DATA

It could be inferred from the TABLE-03 that, 14% of the respondents strongly agree with the statement that “Money deposited in the bank during demonetization can be taxed especially if the affected parties were trying to evade taxation by keeping hard cash”.50% of the respondents agree with the statement that “Money deposited in the bank during demonetization can be taxed especially if the affected parties were trying to evade taxation by keeping hard cash”10% of the respondents strongly disagree with the statement that “Money deposited in the bank during demonetization can be taxed especially if the affected parties were trying to evade taxation by keeping hard cash”. 20% of the respondents disagree with the statement that “Money deposited in the bank during demonetization can be taxed especially if the affected parties were trying to evade taxation by keeping hard cash”. The remaining 6% of the respondents are Neutral.

Hence it is found be inferred from the TABLE-03 that, 64% of the respondents agree with the statement that “Money deposited in the bank during demonetization can be taxed especially if the affected parties were trying to evade taxation by keeping hard cash”.

TABLE: 04

DEMONETIZATION HELPS TO MOVE TO DIGITAL CURRENCY

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	14	14%.
Agree	10	10%
Strongly Disagree	25	25%
Disagree	24	24%
Neutral	25	25%
Total	100	100%

SOURCE: PRIMARY DATA

It could be understood from the TABLE-04 that, 14% of the respondents strongly agree with the statement that “Demonetization helps to move to digital currency”.10% of the respondents agree with the statement that “Demonetization helps to move to digital currency”.25% of the respondents strongly disagree with the statement that “Demonetization helps to move to digital currency”.24% of the respondents the Disagree with the statement that “Demonetization helps to move to digital currency”. The remaining 25% of the respondents are Neutral.

Hence it understood be found from the TABLE-04 that, 49% of the respondents disagree with the statement that “Demonetization helps to move to digital currency”.

TABLE: 05

DEMONETIZATION HELPS IMPROVED DEPOSITS AND SAVINGS IN FINANCIAL INSTITUTIONS

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	12	12%
Agree	25	25%
Strongly Disagree	10	10%
Disagree	22	22%
Neutral	31	31%
Total	100	100%

SOURCE: PRIMARY DATA

It could be inferred from the TABLE-05 that, 12% of the respondents strongly agree with the statement that “Demonetization helps improved deposits and savings in financial institutions”. 25% of the respondents agree with the statement that “Demonetization helps improved deposits and savings in financial institutions”. 10% of the respondents agree with the statement that “Demonetization helps improved deposits and savings in financial institutions”.19% of the respondents strongly disagree with the statement that “Demonetization helps improved deposits and savings in financial institutions”.22% of the

respondents the Disagree with the statement that “Demonetization helps improved deposits and savings in financial institutions”. The remaining 31% of the respondents are Neutral.

Hence it Inferred be observed from the TABLE-05 that, 37% of the respondents agree with the statement that “Demonetization helps improved deposits and savings in financial institutions”.

TABLE: 06**DEMONETIZATION IS SLOWDOWN IN ECONOMIC GROWTH**

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	15	15%
Agree	20	20%
Strongly Disagree	17	17%
Disagree	34	34%
Neutral	14	14%
Total	100	100%

SOURCE: PRIMARY DATA

It could be ascertained from the TABLE-06 that, 15% of the respondents strongly agree with the statement that 20% of the respondents agree with the statement that 17% of the respondents strongly disagree with the statement that 34% of the respondents the Disagree with the statement that and the remaining 14% of the respondents the Neutral.

Hence it ascertained be understood from the TABLE-06 that, 51% of the respondents disagree demonetization is slowdown in economic growth.

TABLE: 07**DEMONETIZATION IS SHORT TERM FINANCIAL CRISIS FOR POOR PEOPLE**

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	22	22%
Agree	15	15%
Strongly Disagree	33	33%
Disagree	14	14%
Neutral	16	16%
Total	100	100%

SOURCE: PRIMARY DATA

It could be found from the TABLE-07 that, 22% of the respondents strongly agree with the statement that 15% of the respondents agree with the statement that 33% of the respondents strongly disagree with the statement that 14% of the respondents the Disagree with the statement that and the remaining 16% of the respondents the Neutral.

Hence it found be ascertained from the TABLE-07 that, 33% of the respondents agree with the statement that demonetization is short term financial crisis for poor people.

TABLE: 08
DEMONETIZATION IS INCONVENIENCE AND ANNOYANCE TO THE PUBLIC

OPTIONS	NO.OF RESPONDENTS	PERCENT
Strongly Agree	10	10%
Agree	22	22%
Strongly Disagree	12	12%
Disagree	27	27%
Neutral	23	23%
Total	100	100%

SOURCE: PRIMARY DATA

It could be observed from the TABLE-08 that, 10% of the respondents strongly agree with the statement that “Demonetization is inconvenience and annoyance to the public”. 22% of the respondents agree with the statement that “Demonetization is inconvenience and annoyance to the public”. 12% of the respondents strongly disagree with the statement that Demonetization is inconvenience and annoyance to the public”. 27% of the respondents are Neutral.

Hence it could be observed from the TABLE-08 that, 39% of the respondents disagree the demonetization is inconvenience and annoyance to the public.

FINDINGS

- ❖ It could be ascertained from the TABLE-01 that, 32% of the respondents will be think the currency change is not a benefit of the government.
- ❖ It found be ascertained from the TABLE-02 that, 33% of the respondents who strongly agree the demonetization can also be used to get fake currency out of circulation.
- ❖ It inferred be understood from the TABLE-03 that, 50% of the respondents who belongs to Agree the money deposited in the bank during demonetization can be taxed especially.
- ❖ It Inferred be observed from the TABLE-05 that, 25% of the respondents who agree Demonetization helps improved deposits and savings in financial institutions.
- ❖ It found be ascertained from the TABLE-07 that, 33% of the respondents who belongs to Strongly agree the demonetization is short term financial crisis for poor people.
- ❖ It understood be found from the TABLE-04 that, 25% of the respondents who belongs to Strongly agree demonetization helps to move to digital currency.
- ❖ It ascertained be understood from the TABLE-06 that, 34% of the respondents will be disagree demonetization is slowdown in economic growth.

- ❖ It could be observed from the TABLE-08 that, 27% of the respondents who belongs to Disagree the demonetization is inconvenience and annoyance to the public.

SUGGESTIONS

After the ban on Rs 500 and Rs 1,000 notes, most ATMS had been seen closed most times, due to the increasing demand of money by the common people, as the refilling frequency of the ATMs had been low as yet. Citing that the people must be ensured of sufficient usable cash, the government had urged the banks to keep the ATMs filled with enough Rs 100 notes till enough Rs 500 and Rs 1,000 notes are returned to the government.

The government had also issued orders against the closure of the ATMs at most times of the day. Since the highest denomination of currency notes available in the ATMs are Rs 100, and the flow of such notes are too frequent, driving the money machines to run out of cash, the calibration of the ATMs should have been done much earlier. While the highest usable currency notes are already available in already calibrated ATMS, the government will be making an attempt to make other ATMs available with such notes. Citing limits applicable to the banks, the central government had issued instructions to the District Central Cooperative Banks (DCCBs) to replace old currency notes with the newer ones.

The government had also made attempts to make sure the DCCBs are supplied with enough currency notes. Since the banned currency notes started getting accumulated in Banks and Post offices the central government had assured the shifting of such notes and replace them steadily with newer ones.

CONCLUSION

Demonetization is a beneficial process even though it has some demerits that may render it unfavourable in various ways. However, before any demonetization program is carried out, it should be carefully thought through and its impact on the poor should be considered. In this way, demonetization can be a chance for a fresh new start, or it can be something that causes unnecessary confusion for a country. The study “A Study on Impact of demonetization with special reference to tiruchirappalli district” known as the impact of normal people from the demonetization in a normal citizen day to day life”. This study helps to solve the problem comes the demonetization in the future.

REFERENCES

1. Shanbhogue, G. Kumar, A. P., Bhat, S. & Shettigar, C. (2016). A Study On Demonetization of 500 And 1000 Rupee Notes & Its Impact On the Various Sectors and Economy. *International Journal of Research in Economics and Social Sciences*.6(12). 274-284.
2. Muthulakshmi, E.K. (2017). Impacts of Demonetisation on Indian Economy- Issues & Challenges. *Journal of Humanities and Social Science*. 34-38.
3. Shah, A. Y. (2017). Impact of Demonetization on Rural India. *International Journal of Scientific and Research Publications*. 7(3). 220-223

4. Veerakumar, K. (2017). A Study on People Impact on Demonetization. *International Journal of Interdisciplinary Research in Arts and Humanities*.2(1). 9-12.
5. Abhani, D. K. (2017). A Study On Impact of Demonetization Over The Banking Sectorwith Reference To Veraval City. *International Journal of Marketing & Financial Management*. 5(3). 21-26.
6. Shukla, B.G. and Gupta, H. (2018). An Exploratory Study Of Business Students Perspectives On Demonetization In India: With Special Reference To Allahabad City. *The International Journal Research Publication's*. 07(09). 186-194.
7. MBAUNIVERSE.(2018).<http://www.mbauniverse.com/groupdiscussion/topic/business-economy/demonetisation> Retrieved February 26, 2018, from <http://www.mbauniverse.com>
8. YOUTH KI AWAAZ. (2018). <https://www.youthkiawaaz.com/2017/12/impact-of-demonetisation-on-the-indian-economy/> Retrieved February 27, 2018, from <https://www.youthkiawaaz.com>
9. INDIAN ECONOMY. (2018). <https://www.indianeconomy.net/splclassroom/what-are-the-impacts-of-demonetisation-on-indian-economy/> Retrieved March 02, 2018, from <https://www.indianeconomy.net>.