



A STUDY ON PERCEPTION TOWARDS DEMONETIZATION IN THOOTHUKUDI

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ABSTRACT

The Indian government stated objective behind the 2016 demonetization policy are as Follows; first, to make India corruption free, second, to curb black money, third, to control inflation, fourth, to stop terror financing, fifth, to make the people pay income tax and finally, to make a cashless society and create Digital India. The demonetization policy is seen as a financial reform in the country but this decision is fraught with its own merits and demerits. The government of India, on 8th November, 2016 announced demonetization of all Rs.500 and Rs.1000 banknotes which stripped those currencies of their legal tender status. However, the lower denomination currencies Rs.10, 20, 50, 100 and coins remained valid. This move was attempted by government to tackle three problems in economy viz., a parallel economy, counterfeit currency and terror financing. This is not the first time when Indian currency is demonetized in India. Demonetization has been implemented twice in the past on 12th January, 1946 and 16th January, 1978 to combat tax evasion and curb black money. However, this is the first time Rs.2000 currency note is being introduced.

KEYWORDS : Demonetization, black money, inflation, digital India, corruption.

INTRODUCTION

The government has implemented a major change in the economic environment by demonetizing the high value currency note – of Rs.500 and Rs.1000 denomination. These ceased to be legal tender from the midnight of 8th november 2016. People have been given time upto december 30, 2016 to exchange the notes held by them. The proposal by the government involves the elimination of these existing notes circulation and gradual replacement with a new set of notes. In the short term, it is intended that the cash in circulation would be substantially squeezed since there are limit placed on the amount that individuals can withdraw. In the months to come, this squeeze may be relaxed some what. The reason offered for demonetization are two fold one, to control counterfeit notes that could be contributing to terrorism, in other words a national security concern and second, to undermine or eliminate the "black economy".

There are potentially two ways in which the pre-demonetization money supply will stand altered in the new regime: one, 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.

Second, 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. This two would have different effects on the economy in the short-term and in the medium-term, as will be explored below.

REVIEW OF LITERATURE

1. Economic rationale of 'demonetization' by Vinnet Kohli and R.Ramakumar. They talk about counterfeit currency, blackmoney, fiscal space, and interest rate and inflation to estimate cost and benefit of demonetization in their research paper.
2. Dr. S. Preethi and V.M.Sangeetha (2017) in her article entitled, "Impact of demonetization of indian economy", revealed the various sectors to be affected where demand is usually backed by cash.
3. Dr. V. Sornaganesh and Dr. M. Chelladurai (2016) in his article entitled, "Demonitisation of indian currency and its impact on business environment", revealed about the situation at the time

of demonetisation.

4. Mr. Pradnya surwade (2017) study the effect of demonetization on every day income, people's expectations concerning currency etc. The study discloses problems faced by common peoples with the use of online banking which are further analyzed and solution to this problems are suggested to some extent, in turn to move towards cashless banking.
5. Mr. Ajit omghyan (2017) has discussed the central government motives behind demonetization and merits and demerits of demonetization elaborately and effects of demonetization on economy has discussed.

OBJECTIVE OF THE STUDY

1. To know about actual present outcomes of the note banned decision.
2. To analyze the impact of demonetization on general public.
3. To find out effect of demonetization on electronic payment system.

SCOPE OF THE STUDY

The scope of the study is to compare before and after demonetization duration of six months. This study will also helpful for the Indian citizen because they would be able to know the present and future condition of their economy and they can take rational decision on their income and expenditure. Everybody would be able to know the impact of note banned decision.

RESEARCH METHODOLOGY

The methodology adopted for studying the objective of the project was surveying the general public of the Tuticorin town. So keeping in view the nature of requirement of the study to collect all the relevant information regarding the comparison of before and after demonetization. Direct personal interview method with the help of structured questionnaire was adopted for collection of primary data and secondary data are used.

LIMITATION OF THE STUDY

Due to constraints of time and resource the study is likely suffer from certain limitations some of the time are listed below;

1. Some of the respondent of the study are unwilling to share information.
2. The information given by the respondents might be biased because some of them might not be interested in providing correct information.
3. Respondent tried to escape some statement. This was one of the most important limitation faced, as it was difficult to

analysis and come at a right conclusion.

4. Due to time and cost factor, only 75 respondents were surveyed.
5. This study is restricted to thoothukudi city only.

RESULTS AND DISCUSSION

Table 1: Demographic profile of the respondents

Demographic Factor	Options	Frequency	Percentage
Age	Below 30 yrs	26	35
	31 yrs – 40 yrs	20	27
	41 yrs – 50 yrs	16	21
	Above 50 yrs	17	17
Gender	Male	46	61
	Female	29	39
Marital status	Married	59	79
	Un married	16	21
Educational Qualification	School	22	29
	Degree/Diploma	24	32
	Post Graduate	23	31
	Professional	5	7
	Other	1	1
Occupation	Home Makers	17	23

	Government employee	12	16
	Business	12	16
	Other	34	45
Monthly Income	Up to – Rs 25,000	46	61
	Rs 25,000 – Rs 50,000	22	29
	Rs 50,000 – Rs 1,00,000	2	3
	Above Rs 1,00,000	5	7
Family Members	Up to 3 members	25	33.33
	3 – 4 members	30	40
	4 – 5 members	16	21.3
	Above 5 members	4	5.4

Table 1 shows that majority (35 per cent) of the respondents belong to the age group of below 30 years, majority (61 per cent) of the respondents are male, majority (79 per cent) of the respondents are married, majority (32 per cent) of the respondents are degree/ diploma, majority (45 per cent) of the respondents are others category, majority (61 per cent) of the respondents earn income Rs. Up to 25, 000 and majority (40 per cent) of the respondents are family member 3-4.

H₁: There is no significant difference between purchasing behaviour of the respondents during six months duration before and after demonetization

Table No. 2: Changing behaviour during the Demonetization from before six month and after six month

Factors	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Groceries Before and After	.09333	.57359	.06623	-.03864	.22531	1.409	74	.163
Vegetable Before and After	.00000	.49320	.05695	-.11347	.11347	.000	74	1.000
Shopping Before and After	.29333	.73104	.08441	.12514	.46153	3.475	74	.001
Transport Before and After	.28000	.66900	.07725	.12608	.43392	3.625	74	.001
Hotel Before and After	.32000	.68102	.07864	.16331	.47669	4.069	74	.000
Petty Exp Before and After	.22667	.86326	.09968	.02805	.42529	2.274	74	.026

In this table significance value of groceries, vegetables is greater than 0.05. So it shows that there is a no significant different between purchasing behaviour of the respondents during six months duration before and after demonetization. But in the case of shopping, transport, hotel and petty exp, Sig value is less than 0.05. We conclude that there is significant difference between

purchasing behaviour of the respondents during six months duration before and after demonetization.

Ho: There is no significant difference between mode of payment by the respondents during six months duration before and after demonetization

Table No 3: Mode of payment these categories before demonetization and after demonetization

Factors	Paired Differences					t	df	Sig. (2tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Vegetable Before and After	-.01333	.11547	.01333	-.03990	.01323	-1.000	74	.321
Groceries Before and After	.00000	.36761	.04245	-.08458	.08458	.000	74	1.000
Transport Before and After	-.20000	.69749	.08054	-.36048	-.03952	-2.483	74	.015
Shopping Before and After	-.13333	.34222	.03952	-.21207	-.05459	-3.374	74	.001
Hotel Before and After	-.02667	.40180	.04640	-.11911	.06578	-.575	74	.567
Children's fees Before and After	-.32000	.46962	.05423	-.42805	-.21195	-5.901	74	.000
Others Before and After	-.33333	.47458	.05480	-.44252	-.22414	-6.083	74	.000

In this table Significance value of groceries, vegetables, hotel is greater than 0.05. So it shows that there is a no significant different between mode of payment by the respondents during six months duration before and after demonetization. But in the case of shopping, transport, petty exp, Sig value is less than 0.05. We conclude that there is significant difference between mode of payment by the respondents during six months duration before and after demonetization.

CONCLUSION

The demonetization move has created chaos in every strata of the society whether upper, middle or lower: This is because; India is cash based economy and demonetization temporarily decreased the liquidity position. Decreased liquidity leads to less demand which in turn result in low productivity causing a slowdown in consumer market. Without adequate and proper planning, the demonetization-driven cash crunch has rendered Indian economy paralyzed at least

for short duration. In 2012, the central board of direct taxes recommended against demonetization saying that "demonetization may not be a solution for tackling black money which is largely held in the form of benami properties, bullion and jewellery". Few economists and policy makers are of the opinion that this demonetization move by the government will hamper the economic growth for three to four quarters of the financial year; but would be beneficial for the economy in the long run. Since there is no precedent to such massive demonetization move in India, we can only speculate future macroeconomic effects of demonetization.

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