

An empirical study on effect of demonetization among the respondents with special reference to erode and coimbatore district

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ABSTRACT

Declaration of 86 percent of currency notes as illegal tender in just a blink of time on eve of 8th November 2016 mandated the creation of immediate interruption in daily lives. The chaos was created in every strata of the society whether upper, middle or lower. Where some welcomed the move as it was seen for curbing black money, many are suffering by this movement. But the supreme sufferers of this move were the informal sector of Indian economy, where cashless transactions are minimal. Informal sectors of Indian Economy includes 106 activities like agriculture, workers in construction, local transport, community services and small workshops like shoe makes and garment makers(International Conference of Labour Statistics (2003), rural populations and the urban poor and middle class. This paper aimed at reviewing the general implications of demonetization on general public.

INTRODUCTION

On November 8, Indian Prime Minister NarendraModi announced that, at the stroke of midnight, some 14 trillion rupees worth of 500- and 1,000-rupee notes – 86% of all the currency in circulation – would no longer be legal tender. With that, India’s economy was plunged into chaos.

Modi’s stated goal was to make good on his campaign pledge to fight

“black money”: the illicit proceeds – often held as cash – of tax evasion, crime, and corruption. He also hoped to render worthless the counterfeit notes reportedly printed by Pakistan to fuel terrorism against India. Nearly a month later, however, all the demonetization drive has achieved is severe economic disruption. Far from being a masterstroke, Modi’s decision seems to have been a miscalculation of epic proportions.

The announcement immediately triggered a mad scramble to unload the expiring banknotes. Though people have until the end of the year to deposit the notes in bank accounts, doing so in large quantities could expose them to high taxes and fines. So they rushed to gas pumps, to jewelry shops, and to creditors to repay loans. Long queues snaked in, out, and around banks, foreign-exchange counters, and ATMs – anywhere where people might exchange the soon-to-be-defunct notes.

REVIEW OF LITERATURE

VenkateshAthreya (*retired Professor of Economics, Bharatidasan University, Tiruchi*)

The demonetisation measure of the Government of India may, at best, disable a portion of black wealth held in the form of currency notes that have ceased to be legal tender. The stock of black wealth held in currency form has been generally estimated at around 5 to 6 per cent of the

total. A portion of this stash has already been laundered. Current estimates of black money trapped through demonetisation do not exceed three lakh crore. The claim that the demonetisation was aimed at immobilising counterfeit currency is lacking in credibility, with such currency estimated to value no more than Rs 400 crore, a very small proportion of the value of the high-denomination notes that were in circulation. The current measure does not address the continued generation of black money through tax evasion. Demonetisation as a weapon against terrorism is a claim bordering on the ridiculous. Corruption is not a one-time activity to be put an end to through this measure.

The move seems essentially political. The Prime Minister's statement that the opposition parties are unhappy because they were not "prepared" can be construed to imply that the ruling party at the Centre was prepared. The mounting criticism of the government on its failure to bring back black wealth stashed abroad as promised in the Lok Sabha polls, agrarian distress, industrial stagnation, rising unemployment, intolerance of alternate points of view, and the perception that this government is anti-Dalit and anti-Muslim, could all have been seen as negative in the context of the impending elections in some major states.

Demonetisation may have been seen as a "big-bang" measure that would enhance the regime's credibility in fighting black money and divert attention from its perceived failures. The informal economy accounts for 80 per cent or more of the workforce and nearly a half of total output. It has been grievously stricken by the government's woefully inadequate preparation and complete failure to anticipate the impact of the move it has unleashed. This has been the inevitable consequence of the massive reduction in liquidity visited on an economy that conducts nearly 90 per

cent of its transactions in cash. It has not only meant a great deal of avoidable distress, including deaths, for the mass of the people but also a devastation of the economy in the short and medium terms, with no guarantees for a revival subsequently. The advice to ordinary people to go digital in a context of poor bank and internet penetration is not only insensitive and gratuitous, but positively appalling.

Maitreesh Ghatak (*Professor, The London School of Economics and Political Science, London*)

The demonetisation policy, at best, is a one-time tax on black money that is stored in the form of cash. But only around 5-6 per cent of undisclosed income is held in cash. Therefore, even if all of it gets targeted by this measure, it will not be an effective way to go at the existing stock of black money. Moreover, black money generation is a continuing process that involves evading taxes and regulations, and engaging in corrupt and criminal activities. These cannot be tackled with a one-time measure. They will continue unabated with the new currency notes. Ironically, this reform may even increase the stock of black money held in cash in the future by facilitating hoarding in currency notes of a higher denomination (the Rs 2000 notes).

Even if the effectiveness of the policy in curbing black money will be minimal, the cost will be very high. Other than the direct cost of printing new notes, given that the affected currency notes constituted 86 per cent of the total volume of cash in the country, this policy effectively led to a much higher drop in liquidity than even the drop in the money supply (about 30 per cent) that the US Fed is criticised for doing during the Great Depression. The informal sector is largely cash-dependent and alone accounts for 40 per cent of the GDP and employs 80 per cent of the workforce. It, along with the rest of the economy, is suffering perhaps

the biggest policy-induced recessionary shock in post-Independence India. Add to it the physical hardship imposed on ordinary citizens in terms of standing in line, and strain on the capacity of the banking sector, which have resulted in deaths. This may go down in recent history as the biggest example of firing cannonballs to kill mosquitoes (granted that these were causing the malaria of corruption), with huge collateral damage.

OBJECTIVES OF THE STUDY

- To analyze the problems and stress level of the respondents due to demonetization

STATEMENT OF THE PROBLEM

Demonetization caused a huge negative wave among the public which made them to feel stress and depressed. It made many persons to stand in queue for long hours in front of banks and ATM's. It made them to lose their pay and wages. The percentage of liquid cash among public got decreased in a tremendous level.

SAMPLE DESIGN:

Chi-square test

Chi-square techniques at different places are made on the basis of data available and requirements of analysis chi-square test at 5% level of significant.

Chi-square value has been obtained by applying the following formula.

$$X^2 = \frac{(O-E)^2}{E}$$

Where,

O = observed frequency.

E = expected frequency.

Expected frequency is calculated as follows:

$$E = \frac{\text{row total} \times \text{column total}}{\text{Net total}}$$

Net total

Degree of freedom = (R-1) x (C-1)

Where,

R = number of rows.

C = number of column.

TABLE NO 1**Chi-Square Tests**

	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	12.810 ^a	13	.463
Likelihood Ratio	12.704	13	.471
Linear-by-Linear Association	2.451	1	.117
N of Valid Cases	300		

INTERPRETATION:

There is no significant relationship associated between gender of the respondents and stress causing factors. From the above table calculated value is less than the table value so null hypothesis is accepted.

FINDINGS:

65% was male respondents and 35% respondents were female.

From the respondents 30% was unable to pay bills, 10% cancelled their family function, 16% was unable to pay fees, 5% was unable to pay their medical expenditure, 10% has lack of their liquid cash, 3% was unable to get things as they wish, 5% was unable to pay their EMI's, 5% was unable to

get their change for their higher denomination, 4% faced bad bank response, 2% stands in front of bank and ATM for cash, 2% felt lack of cash at ATM, 3% felt that there is no proper function of ATM, 1% had loss of pay, 3% had no proper salary.

There is no relationship between gender and level of stress and it is common for all

SUGGESTION:

Demonetization should have done with proper planning and execution. Liquid cash should have been floated well. ATM should have been filled with cash and sufficient employees should have been recruited.

CONCLUSION:

Thus demonetization created a chaos among public and it lead people to feel stressed and depressed. Demonetization should have been implemented with proper planning and guidance.

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