



DEMONETIZATION AND INDIAN ECONOMY

Meenakshi Rao

Research Scholar, Department of Management Studies

Deenbandhu Chhotu Ram University of Science and Technology, Murthal,

Sonepat (India)

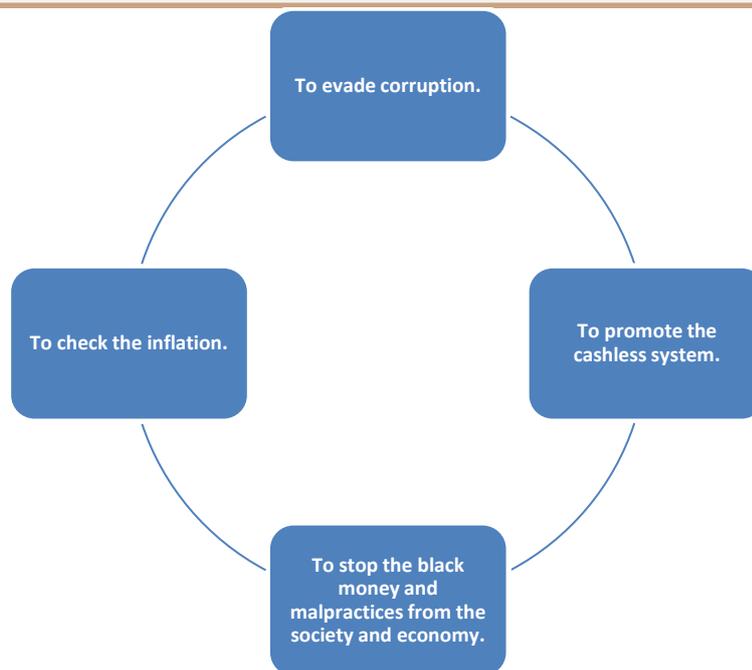
ABSTRACT

Demonetization is the act of stripping a currency unit and with demonetization impact around 86% of Indian Currency was void with the aim to clean the black market, fake currency and malpractice cases. It was a master stroke played by Mr. Narendra Modi to erode all the malfunctioning and to hope that India may shift towards digitalized era which will be more transparent and taxable. In this big country only 2.89% of Indians filed any income taxes in 2013. The World Bank has an estimate of 23.2 % of the total economy as black money in 2007.

KEYWORDS: Black Market Digitalized, World Trade, Master Stroke.

INTRODUCTION

On 8th November 2016, Mr. Narendra Modi, Hon'ble Prime Minister of India gave a sudden shock and announced one of the most influencing reform measures of the century and that was demonetization of Rs. 500/- and Rs. 1000/- currency notes. This stroke is taken for the overall economic development for India. Indian economy paralyzed for a short duration. Many people who do not have bank accounts where they are paid in cash are facing severe problem. A lot of homework was needed for taking into account few critical issues of common people like critical illness, small business, old age people concern, farmer's issues, and inefficiency of rural banks. Indian government demonetizes the high value to erode some social issues. But people are in faith that government step directly attack on black money, money laundry, terrorism etc. Every economy having various reasons to demonetize its currency, some are like:-



This is not the first time in India, this kind of similar action taken in the past. In India, in 1946, currency notes of Rs. 10,000/- and Rs. 1000/- were banned by RBI and new currency of Rs. 1000, 5000 and 10000 rupee notes launched by RBI in 1954. Again in 1978, the BJP Government demonetized Rs. 1000, 5000 and 10000 notes as means to reduce black money and malpractice cases.

OBJECTIVE OF THE PAPER

- To check the impact of demonetization on the Indian structure system.
- To analyses the consequences of the demonetization of Indian Economy.

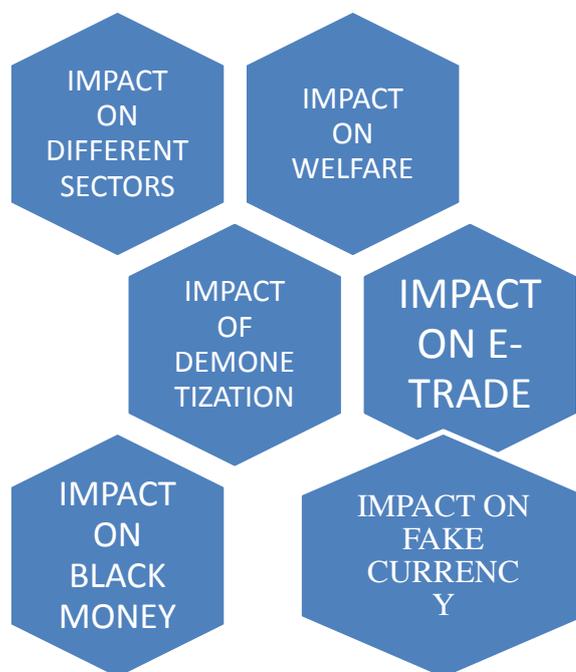
RESEARCH METHODOLOGY

To meet the objectives of the paper, the descriptive method is suitable. So the research design adopted in this paper is descriptive one. Descriptive design/research is helpful in obtaining information to meet an objective. The main focus of this study is to find out the impact of the demonetization of Indian society. The data is completely descriptive and collected from secondary sources like internet, news channels and newspapers etc.

IMPACT OF DEMONETIZATION ON INDIAN ECONOMY

The step of demonetization is a master stroke played by the BJP Govt. it was a generation's memorable moment and one of the major economic event of 2016. The impact was very deep and affected all societal groups in India. In this stroke around 86 % of currency value was withdrawn without replacing prepondance of it and due to ban on old Rs. 500 and 1000 notes there occurred huge gap in the currency. The demonetization of Rs. 500 and 1000 notes not give much satisfaction

to people even though there was not such happiness of launching of Rs. 2000 notes. Because in Indian society there is less use of Rs. 2000, the more satisfaction and convenience was in Rs. 500 and 1000 notes. There are many impact of demonetization on Indian economy which is as follows:-



IMPACT ON DIFFERENT SECTORS: There are many sectors in India where demonetization impact is direct and more harmful in which negative impact in the medium- in this sector a significant negative impact in the medium to long term.

In **Retail Sector:** In retail sector also a negative impact on each and every brick.

In **Agriculture Sector:** The negative impact on consumer durable and non-durable goods.

Impact on Welfare: The major negative impact on the daily wages workers, labour, small traders and who lives out from the formal economy uses cash each and every time. These people feel isolated and income less in absence of liquid cash.

Impact on Black Money: in reality only a small part of black money is actually stored in form of cash. Mostly people black money is kept in the form of physical asset like gold, land, building etc.

But, the positive part is that now people are more aware and they want to fight with black money and corruption. So in overall in practically there is a less impact on finding black money but a huge impact on common man mind, now people are thinking about evasion of black money, corruption etc. They are thinking about their nation.

Impact on Fake Currency

A positive impact on finding fake currency, its circulation is checked after this move.

Impact on E-Trade: There is a huge positive impact on E-Trade like:-

- E-Commerce -----
- Payment Gateways
- Cards
- Mobile Wallets
- Online Retail
- Net and Payment Banks
- E-Market Place

Many new companies take entry with their new ideas and a huge profit to all banks. Now, all banks are full with currency.

CONCLUSION

Demonetization was a master stroke of the Govt. on black money, corruption, fake currency and on malpractices. In technicality- demonetization was a liquid shock and the impact was on every sector due to sudden break up of currency availability. There are so many impacts on Indian economy some are positive some are negative. Demonetization is not big disaster as like global bank crisis of 2007 when depression was on each and every sector. But at the same time it will act as a liquidity shock which will turn as disturbance in every economic activity. The impact of the shock in the medium term is a function of how much of currency will be replaced at the end of replacement process.

On the brighter side, now people are aware of using e-networks like e-banking, e-wallet, e-payment etc. but still its way hard to understand by lower ground people whose livelihood is only on liquid cash.

REFERENCES

- CRISIL, " significant structural benefits on the cards for India."
- <http://WWW.financial.express.com>
- <http://WWW.thehindu.com/news/national/demonetisaation-arun-jaitely-on-atms-giong-dry/article9338238.ece>.
- India, i.o (2016).the big picture-impact of demonetization.
- The economics times.
- The financial express.
- The financial express.