

Research Paper



DEMONETIZATION: A REVIEW STUDY

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ABSTRACT

NOVEMBER 2016 when everyone is waiting for US President elections, PM announced his Master Stroke corruption, counterfeit currency, terrorism and black money. Demonetization Is the process in which Monetary Authorities with the consent of Government replace old currency with new currency i.e. declares the currently running illegal to be tender. On 8th November 2016 at 8PM Indian Prime Minister Hon. Mr. Narendra Modi in his broadcast to the nation declared “from Today 12PM onwards RS.500 and Rs.1000 (86% of Total Currency) not recognized as legal tender “. As per RBI Balance Sheet Currency in Circulation is 16415 Billion which includes 86% currency old Rs.500 and Rs.1000 Notes. Every person was facing liquidity crunch But on the other hand he was with government move because Black Money, Counterfeit currency, Real estate Rate, Inflation are destroying country economy while corruption, smuggling and terrorism are effecting everyone life every day. Country Like India in which 80% population live in Rural area, 167 Million Not Having Bank account, 287 Million adults illiterate after reading the above data everyone can. On that day several questions are coming in every Persons Mind. This research paper is very general in Nature like a book chapter of Demonetization focusing on History, advantages and also its impact on various sections of Economy, common Man, and Industry and Agricultural sector.

KEYWORDS: Demonetization, Inflation, liquidity crunch, exchange, currency printing

1.0:-INTRODUCTION

Before 8th November only few person knew about the term Demonetization but now majority of persons in the world know about it. Demonetization Is the process in which Monetary Authorities with the consent of Government replace old currency with new currency i.e declares the currently running illegal to be tender. On 8th November 2016 at 8PM Indian Prime Minister Hon.Mr.Narendra Modi in his broadcast to the nation declared “ from Today 12PM onwards RS.500 and Rs.1000 not recognized as legal tender “ As per RBI Annual Report 31st March 2016 (Table VIII), Total currency in circulation was 16.42 Lac crore(US240\$) including 86% currency of Rs.500 and 1000 Notes (14.18 lakh crore US 210\$).in volume 24% (2203 cr) of total 9026.6 crore in circulation. Notes of other denomination (i.e 10,20,50 and 100) will remain legal tender

Denomination (?)	Volume (million pieces)		Value (? billion)	
	Mar-16		Mar-16	
2 and 5	11,626	(12.9)	45	(0.3)
10	32,015	(35.5)	320	(1.9)
20	4,924	(5.4)	98	(0.6)
50	3,890	(4.3)	194	(1.2)
100	15,778	(17.5)	1,578	(9.6)
500	15,707	(17.4)	7,854	(47.8)
1,000	6,326	(7.0)	6,326	(38.6)
Total	90,266		16,415	

Note: Figures in parentheses represent the percentage share in total.

150 years of Paper currency in India

Till 18th century, gold and silver coins were commonly used in India as medium of exchange but private European trading companies brought paper currency in India with the help of own established bank like Bank of Hindustan in Calcutta .some of the others facts related to paper currency

- Bank of Bengal released notes featured a small image of female with Bank name and 3 scripts :Urdu ,Bengali and Nagri .
- After the Paper currency Act 1861 ,British government involved in producing the money Banks was not allowed to issue currency notes
- “Victoria Portrait series “ Notes were first currency notes issued by Government
- 1928 ,First currency printing press was established in Nasik
- 1935 RBI established & all responsibility handed over to RBI ,
- RBI ‘s First note was issued in 1938 featured a portrait of King George VI .
- First post independence note came in 1949 with Lion capital of Ashoka
- 1996 it released Mahatma Gandhi series Notes with high security features
- 2011 onwards a new and Special design were introduced for new currency symbol .

Demonetization not first time in India

8th November 2016 Hon. PM Announcement was first time in India ? Answer is no ,Demonetization has been implemented twice -1946 and 1978



12Jan 1946 :-Rs.1000 and 10,000 has removed from circulation .its impact on the economy was not so high because higher denomination currency ,was not in common man hand .Currency reintroduced with additional Rs.5000 note in 1954

16 Jan 1978:- Janta Government PM Hon .Morarji Desai announced currency ban all high denomination out of circulation with an objective to control Black Money .it was an attacked on illegal assets .At that time Value of High denomination notes was Rs.130 Crore .

2016: On 8th November 2016 at 8PM Indian Prime Minister Hon.Mr.Narendra Modi in his broadcast to the nation declared “ from Today 12PM onwards RS.500 and Rs.1000 not recognized as legal tender

2.0: OBJECTIVES OF THE STUDY

When we heard about several questions comes in every common man there are several Questions comes in my mind like Announcement of any campaign or making the policy on papers will not make our economy strong the main objectives of this research paper is to get the answers of the following

- What is” DEMONTIZATION” All about?
- What are the advantages and disadvantages of it to country
- What is our Government is doing to achieving the desired results from it
- What will be its effects on various sections of the economy .
- Will this campaign be successful in Making a jobs

The main objectives of the research paper are trying to get the answers of the above questions.

3.0:-LIMITATIONS OF THE STUDY

Limitations of Each and every Study which will be based on secondary data as common because data is Secondary some of the Limitations of the Research paper is as follows :

1. The study is based on published data and information. No primary data is being collected.
2. Every care has been taken to entice qualitative and correct data; still secondary data have collected for the purposes other than problem at hand.
3. The objectives, nature and methods used to collect secondary data may not be appropriate to the present situation.
4. Secondary data may be lacking in accuracy, or they may not be completely current or dependable.
5. Time constraint remained the major limitation in the study
6. The biasness can always be there.
7. Before using secondary data, it is important to evaluate them on above mentioned factors. So, it consumes the same time as the primary data.

4:0 RESEARCH METHODOLOGY

Research Type:-Descriptive

Type of Data/Data source used

The study focuses is an attempt of extensive study, based on Secondary data collected from various other research paper, Books, Newspaper, Journal and Magazines article and Media reports

5.0: PROS AND CONS OF DEMONETIZATION

Black Money is like a slow poison for an economy its helps in increasing inflation, Crime etc.and reducing Tax collection. Demonetization is a big attack on Black Money. it increase the liquidity flow ,it helps in increasing government spending which increase development of the country . Indian Government blocked many route of Black money generation which increase more transparency in system results encourage foreign Investment in country. Tax avoidance and Tax Evasion is another big problem of economy .Many non Tax payers now declaring Black money under Government Declaring scheme “Income Declaring Scheme” As per Finance minister 64,275 declarants disclosed an amount of Rs 65,250 crore. Demonetization helps in increasing payment through Digital Mode .it is an big move to less cash economy which boost to economy. Now Many people will keep their savings In Banks it will increase banking lending capacity and reduces interest rate in future. Counterfeit Currency is . Real estate prices in India are increasing day by day but with this move prices not only control but also reduced



Demonetization also impact negatively on Indian economy but positive impact for longer period and negative Impact's Short period .it will reduce GDP 7.8 to 7.1 .No economic Activity reduces consumption Low demand and production. A lot of Daily wage workers, Road side vendor ,Small vendor lost their work due to It which takes lot of time to recover

- Negative Side
- Negative Growth Rate (Short Term)
- Low Demand
- Informal Sector works Lost

6:0:-IMPACT OF DEMONETIZATION ON VARIOUS SECTIONS OF ECONOMY

We purchased goods (Food, Cloth etc.) and availed very services (Banking, Medical, insurance and Other) for day to day survival .Money is only the medium for exchange .can u imagine what will happen if there is no money in hand what will be the situation for those who has marriage in next few days, Farmers, Patient, labor, businessman and other common people but on the other hand Black Money, Counterfeit currency ,Inflation ,Corruption ,Real estate prices and smuggling also effecting common people day to day life .

Short term Difficulties

- Purchasing day to day items
- Arranging Marriage
- low denomination currency
- Medical facilities
- Daily wages labor face wage difficulties
- Unorganized Sector
- Short term Liquidity crunch

Long term Benefits

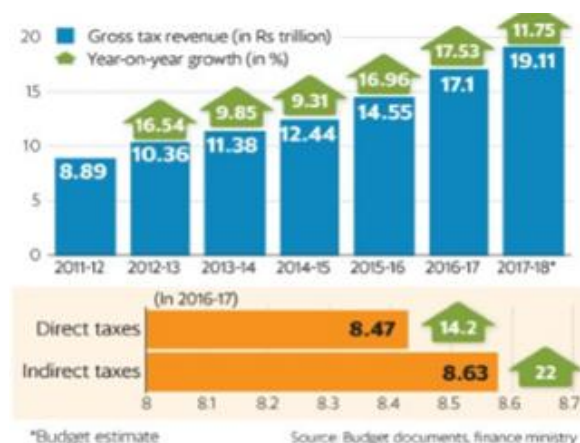
- Liquidity Improve
- Interest Rate reduce
- counterfeit currency
- Crime control
- Terrorism control
- Real estate price
- Black Money control
- Inflation control
- Taxation Improve
- Hawala
- Smuggling
- Increase On line trading
- Increase Financial literacy

Let us discuss the short term and long term impact on Demonetization on various sectors of economy, common people, businessman and government.

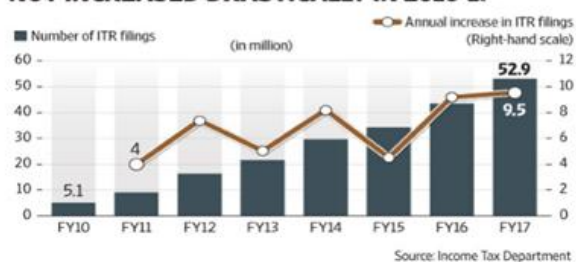
6.1: Improvement in Tax Collection:-

After demonetization tax revenue of government has increased 18% to rose 17.1 trillion in the year ended 31st March 2017. Direct tax and indirect tax increase by 14.2% & 22 % .Demonetization helps in reducing Tax Avoidance and Tax Evasion and increasing Tax revenue of the All the level of government .Central government announce Income declaration scheme which results income tax returns filling increased drastically In 2016-17 .

According to Our finance minister Mr. Arun Jaitely , He said direct tax collection was up 12.01 per cent at Rs 5.53 lakh crore in April-December 2016, compared to revenue in the year-ago period, while indirect tax receipts soared 25 per cent to Rs 6.30 lakh crore



NUMBER OF INCOME TAX RETURN FILINGS HAS NOT INCREASED DRASTICALLY IN 2016-17



6.2 Effect on Banks:-

Banking sector is the most important beneficiary of demonetization. Increased NPAs decreased lending ability effecting the health of Banks. Demonetization was the starting phase of digital economy .it will helps banks in reducing burden on banks. Unaccounted money (Money not in system) was deposited In banks which result increase banks liquidity, lending capacity and less cash economy increased business

6.3: Effect on common person

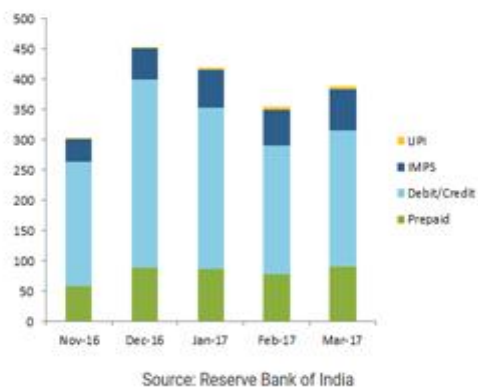
Demonetization is a memorable events of our time .Every person feel life without money .Situation was painful but we knew results will be sweet .people have to stand in queues such a long time only to withdraw money . Families who had wedding faces a lot of problems due to liquidity crunch Thousand of wedding has been canceled Daily wages workers, street Vendors lost their work and many Auto Rickshaw ,Small traders and Taxi Drivers faces a lot of problem .But after few days All ATM were filled with new currency ,new currency are in circulation .

6.4: Effect on Payment Bank & Digital Payments

As it is saying that demonetization is starting phase of digital economy? you are seeing that no of digital transactions increasing rapidly after demonetization.PAYTM, BHIM many other UPI Based are emerging as digital Platform. Several Payments Bank registered with RBI

- Airtel Payments Bank
- PAYTM Axis Bank
- Indian Post Bank
- FINO Payment Bank

One of Main Advantages of it is that awareness among people about demonetization has increased.



6.5: Effect on Economy (GDP Growth)

India is cash Intensive industry 90% transactions through only 10% Transactions in Digital Mode so it affects the economic transactions through two ways Liquidity crunchdecrease Demand, low demand results lost in

ProductionActivity .Many labor intensive manufacturing sector as Real estate, Textile Gems and Jewelry and Transport sector becomes labor less effect a lot but organized sector like coal ,electricity lessly affected Many temporary work lost their job .2015-16 ,India 's GDP Growth rate was 7.6 but after it is revised 7.1 by Manv Institutes .

Institute	GDP	
	Original	Revised
RBI	7.6	7.1
World Bank	7.6	7.0
IMF	7.6	6.6

7: CONCLUSION

Demonetization announced was aimed Black Money, corruption, terror financing and counterfeit currency although in medium and long run has huge potential benefits but in short run people face many p r o b l e m s .Government of India did not publish any Data on demonetization Theoretically it has several advantages but still we are expecting direct benefits from it .Government has taken several measures to control Black Money and result is also seeing on ground level.Government tax collection has increased and millions of new Taxpayers added and Many of persons declare his undisclosed income under “Income Disclosure scheme “ and PM GARIB YOGNA “.Counterfeit currency almost finished in single hit on it. This action will have major impact on Our economy but implementation of Demonetization was really bad .Common man faces difficulties in buying their daily need commodities ,Daily wage workers lost their jobs and GDP growth decreased from 7.6 to 7.1 .

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