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DEMONITIZATION AND BLACK MONEY

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ABSTRACT

The Indian agrarian economy which is especially tumultuous is fundamentally cash based. For the most part people in commonplace regions depend upon cash for their ordinary activities. The Prime Minister's decision of demonetisation on 8 November, 2016 truly hit the control of commonplace people as for cash trade. This examination was finished to survey the impact of demonetisation and credit just progressed economy in the natural territory. The paper essentially studies the discretionary data appropriated in various structures from web, paper articles, and disseminated reports. A couple of discernments from participation with natural people on the issue of demonetisation and its impact have in like manner been referred to. Demonetisation is one phase in engaging corruption totally free. Regardless, basis for demonetisation was hack sided and its impacts were horrendous on the nation people. The chance of credit just economy ought to be executed mulling over an all the more widely inclusive strategy, for instance, strengthening authorization and breaking point working of regulators and against contamination monitor canines.



KEYWORDS: *Demonetisation, Agriculture, Rural Economy, Daily Wage Labours, Cashless Economy.*

INTRODUCTION

Demonetisation infers the show of stripping a cash unit of its status as real sensitive. The pattern of demonetisation incorporates either introducing new notes of a comparative cash or absolutely superseding the old money with new one. There are various reasons concerning why nations demonetize their units of cash. To crash dim money, and to make India a credit just progressed economy, Indian government got demonetisation on November 8, 2016. As indicated by the yearly report of Reserve Bank of India the total cash notes accessible for use were 16.42 lac crores in gathering of old ₹ 500 and ₹ 1000 (MoF, 2017). As per the last position count conveyed by RBI On fourteenth December 2016, the total amount of old notes of assessment of Rs. 12.44 lac crores were put away by the customers till December 10, 2016 (Roy, 2016). Leader Modi highlighted that "the significance of cash accessible for use is clearly associated with the level of degradation." Thus, reducing the cash accessible for use would lessen contamination (Modi, 2016). The Government of India acknowledges that this demonetisation was required for the four essential reasons: first clarification is for ending the financing of mental fighting, second clarification is for taking care of the issue of fake money, third clarification is for acquiring the dim money worthless and fourth clarification is for reducing the corruption. It will help with controlling growing, recapitalise banks, restricting the credit expenses and

making the economy exuberant, with capital inflows. Nevertheless, the Indian agrarian economy which is also in a general sense cash based, and is uncommonly dislocated, has emerged as a source to course dim money, by and by into the system both to the extent appraisal avoidances and channelizing resources for make veritable resources (Sabnavis, 2016).

Another move by the public authority was to introduce credit just economy through digitization of trades. Commonplace regions are home to 66% of the country's general population of around 870 million people where an enormous piece of the test lies in achieving credit just trades for the rest of the decade. It is evaluated that nation customers will involve essentially half of all Internet customers in 2020. Number of related common customers is needed to increase from 120 million out of 2015 to close to 315 of each 2020. In excess of 93 percent of people in rural India have not done any modernized trades, so the certified issue lies there (Kumar, 2017). The public position announced zero balance speaks to people, yet improvement of bank workplaces was low. In this setting the current paper endeavors to address whether demonetization move is an opportunity for rural India to transform into a high level economy.

OBJECTIVE

1. To comprehend the nature and types of provincial economy and the status of ranchers and every day wage workers in India.
2. To assess the effect of demonetization on ranchers and every day wage workers in provincial zones.
3. To examine the effect of demonetization and credit only computerized economy, its utility, openness and accessibility for rustic individuals.

REVIEW OF LITERATURE

A great deal of composing is open in papers, magazines, web and diverse establishment of online media about the impact of demonetisation on various territories of the economy and in particular to agribusiness. Regardless, barely any definite evidence supporting the impact of demonetisation on developing and related activities is available. A starter study was driven by Bisen, et al. (2017) to separate the impact of demonetisation on various accomplices, for instance, farmers, traders and customers. They found that, on account of demonetisation little and insignificant farmers were by and large affected instead of tremendous farmers if there ought to emerge an event of planting, procurement of information sources and offer of agrarian things. Among items, farmers overseeing perishables were more impacted than farmers overseeing grains. In any case, wholesalers were for the most part affected in grain markets and retailers in verdant nourishments markets. Buyers have used more than one strategy for portion to oversee cash crunch condition simultaneously, the lower pay class people and the people who didn't use elective portion systems (e-portion) were the most impacted. Chand and Singh (2017) uncovered that most of the Rabi crops are self-pollinated, farmers need not tolerating new seeds every year and due to which the proposal of seed by open foundations was represented to be a great deal of lower than conventional arrangements. According to Bisen, et al. (2017) the farmers were affected taking everything into account. The farmers didn't use either check or any of the high level portion sections for procurement of data sources.

METHODOLOGY

The paper is generally subject to the overviews of discretionary data circulated in various structures. The data were accumulated from web, articles from papers and reports conveyed in different structures. It has also analysed a couple of discernments and associations with nation people at various puts on the issue of demonetisation and its impact on them. The public power had said demonetisation would help control dull money and steep climb in Rs 500 and Rs 1,000 notes; check the dispersal of fake cash; and advance e-portions and financial consolidation. However, according to minutes of the RBI board meet at 5.30 pm on November 8, 2016, three hours before the PM revealed demonetisation, a couple of bosses expressed, "An enormous segment of the dim money is held not in

genuine cash yet rather as certified territory assets, for instance, gold or land and this move would not really influence the assets."

DEMONETISATION AND ITS IMPACT ON RURAL ECONOMY

In India 70% (83.3 crore out of full scale 121 crore) people live in nation areas and depend upon cultivation, while 37.7 crore live in metropolitan regions (Census, 2011). Agriculture is the establishment of the Indian economy and is essentially a cash based zone with tremendous capital data. The agrarian and brought together zone speaks to 17 percent of the GDP and use around 49 percent of the full scale workforce (Planning Commission of India, 2014). It is the greatest business source and critical piece of the as a rule monetary new development. It moreover gives unrefined materials to driving endeavors, for instance, cotton, material and sugar adventures and passages diverse agrarian items like tea, coffee, flavors and tobacco. Common economy is entirely capricious where cash and co-employable banks are the establishment of the nation economy. Around 263 million of Indian farmers are dependent on cash trades for buying seeds, fertilizers, and fuel for Rabi season (Kohli, 2016). Since Rabi seeds are normally self-pollinated, farmers need not tolerating seeds every year. Nevertheless, they are endorsed to buy new High Yield Variety seeds for blend gather, yet due to the cash squash due to demonetisation, the couple of willing farmers abstained from doing all things considered. Prevailing piece of them couldn't accepting information sources like seeds from market. Various farmers used old seeds from the latest year's gather and didn't accepting new quality seeds. The farmers needed to buy on loan or accept credit from easygoing affirmation sources at luxurious advance charges. Little farmers couldn't obtain money from money advance experts as a result of impediments of withdrawal. Undoubtedly, even with good tempest rains, the farmers were anxious to put seriously in Rabi season 2016 as they were hit by drought in 2014 and 2015. In November 2016, 79 lac hectares of land was under Rabi advancement (an extension of 8.8 percent since the year 2015) and only 20% of the planting was done in gather conveying states like Maharashtra, Punjab, Gujarat, Tamil Nadu and Karnataka (Kohli, 2016). The region a work in progress, planting model, proficiency, and markets were clearly affected. The progress to demonetize and the following cash crunch made a frailty to secure financing to the much turbulent cultivating zone for both harvesting and planting the subsequent yield cycle. Perishables, vegetables and normal items, in numerous business areas demonstrated a drop in market appearance similarly as a fall in costs post demonetisation as much as around 4 to 5 percent. According to the data available on Agmarknet, step by step appearances of tomatoes in rebate markets in December 2016 was 54 percent higher than November 2016 in like way, in Maharashtra it was 48 percent higher in the time of December than in November in 2016. Thus costs hopped due to the excess watching out. At last, farmers were at an adversity. In view of the general conditions, Rabi crop yield was foreseen to augment by 6.02 percent (Chand and Singh, 2016).

The issue of the demonetisation was by and large associated with the common locales of the country that have lesser number of banks and ATMs appeared differently in relation to the metropolitan and semi-metropolitan regions. The issue was not the inaccessibility of the banks and ATMs, but instead the cutoff on cash which could be eliminated. A farmer can require a day out from his clamoring plan and sort out some way to go to bank and get the cash back, in any case the cutoff on the aggregate withdrawal obliged him to do that again and again and the banks in nation districts are far away from towns. Looking at provincial India, people consume a lot of time staying in long and serpentine lines before banks and ATMs. The stoppage of economy was a result of crash of endless little business visionaries from the market in nation locales. Beside that the Micro Finance Institutions (MFI) industry is a cash raised with its enormous association base of 3.2 crore clients in India. Most of the borrowers take propels in genuine cash and they repay credits in genuine cash. MFI exercises was by and large affected as there were essential for women with progresses between Rs 10000 to Rs 50000. The installment was deferred and varieties dropped inciting condition of operational loss of movement in the natural zone. MFI territory showed relative progressiveness towards going credit as it were. This can be credited to how India is among the most cash focused economies on earth with a cash to GDP

extent of 12 percent, close to four overlap the measure of as various business areas, for instance, Brazil (3.93%), Mexico (5.3%) and South Africa (3.73%)

Notwithstanding the way that agriculture outlines a critical bit of the natural and public economy, it's not using any and all means the solitary promoter. Demonetisation in like manner impacted the collaborated agrarian undertakings like work vehicle creators, farm gear makers, etc close by the overall town economy. The cash crunch and lower penetration of electronic portion organizations in the provincial region basically lessened the buying impact of the nation buyer in any occasion in a short run. This compacted the interest for zones going from transportation, buyer durables, to brief things like verdant nourishments. Since there was a pressure sought after a fall in expenses was found. People started trading on loan premise to deliver the pay when the liquidity condition improves. This lead to a spike in expenses as the interest on the credit was recognized through the purchasers. For the most part talking, there was an expense spiking design in common territory.

RURAL BANKING AND DISTRESS

During demonetisation, Reserve Bank of India (RBI) introduced separate guidelines for District Central Cooperative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS), the fundamental financial establishments used by the nation people. From 14 November, 2016 onwards, DCCBs and PACS were simply allowed to give new money anyway not to exchange or credit old notes. The RBI decision, to deny DCCBs and PACS from enduring or exchanging old money was possibly the most questionable one. A basic clarification behind this discussion was the way that these establishments gave the solitary induction to banking for a brain predominant piece of India's provincial people, which fuses restricted degree farmers and lower pay social occasions (Asian Development Bank, 2013). Farmers explicitly depend upon DCCBs and PACS energetically, incorporating concerning purchasing seeds and fertilizers. At that point, a huge bit of rural people needed to head to greater towns or metropolitan zones to exchange or store old notes. RBI hypothesized that the public authority was stressed over tremendous cash stores at DCCBs and PACS following the demonetisation announcement. Some place in the scope of 8 and 14 November, DCCBs in 17 Indian states got stores of generally Rs.9000 crore (Fernandes&Sukhi, 2016).

RBI's preferred condition coordinated with the zenith agrarian time of gathering summer harvests and planting winter crops. The feebleness of the representatives to pay in genuine cash incited upset turn of events and inimically impacted the exhibiting and offer of provincial produces. The difficulties of the creators of perishables were particularly extraordinary. Further, various farmers couldn't tolerating seeds and various wellsprings of data or to pay plant workers for farm exercises (Alliance for Sustainable and Holistic Agriculture, 2017). The decision set off genuine aggravation by laborers of commonplace banks and observable farmer get-togethers (addressing in excess of 20 million farmers in the country) in states like Maharashtra, Kerala, Uttar Pradesh, Gujarat, Tamil Nadu and Karnataka¹. Battles and shows continued going from mid-November 2016 to January 2017 and were particularly especially maintained in the southern states of Kerala and Tamil Nadu, which have the greatest pleasant monetary structures in the country (National Federation of State Cooperative Banks, 2016).

ADVANTAGES OF DEMONETISATION

Demonetisation furthermore had a constructive outcome in natural territories over the long haul. From the start, nation people faced inconveniences in getting cash as trading of high-regard notes were precluded and a limit was constrained by the public expert on withdrawal of the cash from the ATM and banks. This diminished liquid cash with people and therefore their expenses were decreased. As Indian GDP is usage driven, demonetisation influenced GDP of the country. People owing dull money put away their cash in banks and expected to pay charges to the public position which incited increase in government venture reserves. So the liquidity with banks was extended and they had the alternative to credit more money watching out. Over the long haul supply of money in the market extended and

from now on credit costs were decreased which were foreseen to help revenue in agribusiness in the country. It was acknowledged that as the hypothesis will extend, making of yields will moreover construct, which will provoke advancement in the work and thusly pay of the people will finally increase. As the additional money of people will assemble use of the product and endeavors will augment at last provoking augmentation in GDP of the country.

CONCLUSION AND RECOMMENDATIONS

Demonetisation is a one stage of in battling defilement, dark promoting, and financing uprising. Anyway groundwork for demonetisation was hack sided, and its effects were horrible on Indian public especially in provincial territories. The individuals, who were focused on, didn't come on roads, however basic society were out from their work puts just as homes. This move had significant effect on the equal economy. Abrupt declaration and inability to get ready ahead of time made impermanent confusion and uneasiness among the overall population. Demonetisation ought to be a consistent exercise by the public authority and be rehashed at appropriate stretches to debilitate the crowding of Black Money as money. The self improvement gatherings (SHGs) can be of extraordinary assistance to the individuals in the advancement of computerized banking frameworks in the provincial regions. Notwithstanding, at whatever point such measures are to be taken legitimate the public authority should contemplate the effect it might have on average person. Elective wellspring of assets ought to be masterminded to cook the necessities of poor people. All the line office functionaries, for example, teachers, wellbeing laborers, town Development officials, Anganwadi laborers, and so on should instruct the individuals about the monetary incorporation and computerized economy. Like Pulse Polio Campaign, the Digital India Campaign twice or threefold in a year in a mass scale can be led in the nation. It is a proper method to spread the advanced India crusade in provincial zones (Pattanaik, 2017, p. 57). The Jan DhanAadhaar Mobile (JAM) can energize computerized exchange culture. It is spreading to arrive at every distant corner of the nation. Countless government moves are made through JAM mode. This will assist country individuals with getting computerized exchange mindfulness.

CONCLUSION:

To crash dim money, and to make India a credit just progressed economy, Indian government got demonetisation on November 8, 2016. As indicated by the yearly report of Reserve Bank of India the total cash notes accessible for use were 16.42 lac crores in gathering of old ₹ 500 and ₹ 1000 . Common economy is entirely capricious where cash and co-employable banks are the establishment of the nation economy. This can be credited to how India is among the most cash focused economies on earth with a cash to GDP extent of 12 percent, close to four overlap the measure of as various business areas, for instance, Brazil , Mexico and South Africa Notwithstanding the way that agriculture outlines a critical bit of the natural and public economy, it's not using any and all means the solitary promoter. During demonetisation, Reserve Bank of India introduced separate guidelines for District Central Cooperative Banks and Primary Agricultural Credit Societies , the fundamental financial establishments used by the nation people. From the start, nation people faced inconveniences in getting cash as trading of high-regard notes were precluded and a limit was constrained by the public expert on withdrawal of the cash from the ATM and banks.

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