



ROLE OF DEMONITISATION IN INDIAN ECONOMY

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ABSTRACT:

The Indian economy ought to have been based on a barter-oriented system prior to British rule. However, this system resulted in a great number of issues, which had a major impact on the economy at the time of the great innovation. That is referred to as the genesis of money. The money has provided solutions to numerous fundamental social issues and requirements. Similar to price fixing, money storage, product value, exchangeability, economic turnover, compensations for production factors, and expanding the economy's power, among other things. India became a nation of liberty and independence on August 15, 1947, following British rule. Later in this period, the economy will be in a position to maximize capital utilization in a variety of social and economic planning. The first five-year planning began in India on April 1, 1951. The maximum amount of money has been collected by the government through direct and indirect means, which can be put toward essential activities and necessities. The hon'ble prime minister of India, Shri Narendra Modi, has implemented a stringent policy of currency demonetization in India. We can see that prior to the first demonetization in India on January 16, 1978, some significant events were discovered. The government of the hon'ble prime minister Maharishi Desai is working in India at that time. The highest number of currency 500 and 1000 notes demonetization in India occurred on the same date, 8 November 2016, at 12 o'clock in the evening. And then it was strictly implemented day by day with the assistance of a government department.

KEYWORDS: Black Money, Demonization, Corruption, A Cashless Economy, Digitization, And Other Issues

INTRODUCTION:

The removal of a currency's legal tender status is referred to as demonetization. The current form of currency is retired and taken out of circulation during demonetization. It is an economic process during which a nation's currency unit ceases to be accepted as payment. A government's decision to prohibit notes or coins of a particular denomination is known as demonetization. On November 8, 2016, the honorable prime minister of India, Narendra Modi, made the announcement of demonetization, which saw the eradication of the Rs 500 and Rs 1000 notes from circulation. It was a significant occurrence in 2016. This paper tries to explain what demonetization means, look into the reasons for demonetization, find out how much demonetization is happening, look into the benefits and drawbacks of demonetization for the Indian economy, and offer suggestions. The data used in this study come from secondary sources like books, journals, websites, magazines, newspapers, and so on.

DEMONETIZATION MEANING

The process of stripping a currency of its legal status is known as demonetization. Demonetization typically occurs when a nation alters its currency. The current currency is substituted for a new currency in order to carry out demonetization. Legal tender issued by a government; currency notes promise the owner to pay the value indicated on them. The taker is bound by the sovereignty of the currency because it is legal tender. Demonetization, on the other hand, refers to the process by which a government devalues the aforementioned currency. Additionally, demonetization marks the end of the legal agreement.

The process of acquiring new currency begins with this step. Demonetization, for instance, was used recently by European union members to adopt the euro as their common currency.

CONCEPT: -

The economic drive of demonetization is to ensure that activities continue to flow without interruption and that Indians receive equity and equal justice. In India, everyone is currently researching the trickle-down theory. However, this theory is practically impossible to test on every level.

OBJECTIVES: -

1. To Get Rid of Economic Inequality.
2. To Control India's Richest Population.
3. To End the Ratio of Black Money to Corruption in India
4. To Connect as Much Black Money as Possible to The Government
5. To Set Up an Ideal Indian Economy.
6. To Control Terrorist Organizations and Promote Peace in India.

7. To Make Minor Groups in Rural Society Better;
8. To Create a Strong Method for Collecting the Maximum Amount of Taxable Revenue; And
9. To Make Every Economic Transaction Transparent.
10. To Initiate a Cashless Economy and Establish a Robust Banking Network;
11. To Implement a New Advance Formula That Makes Use of Minimal Cash and Facilitates More Transactions; And
12. To Accumulate Additional Funds for The Purpose of Economic and Social Endeavors
13. To Raise the Number of Jobs and The Ratio of Exports at The National and Global Levels

DE MERITS: -

1. To Observe the Depreciation in Every Sector;
2. The Decision to Demonetize Is Good, But the Economy Is Practically Dead.
3. A Minor Currency Out of Reach of Market Demand for The Economy.
4. Every Indian Does Not Believe in Economic Transactions;
5. The Majority of The Population Does Not Use Banking Services or Transactions; And
6. The Rate of Profit and Investment Is Decreasing on A Daily Basis to Create More Jobs and Power the Economy as A Whole.
7. The Country's GDP and Economic Growth and Development Ratio are Declining
8. This Is Not a Satisfactory Solution to Removing Black Money from The Indian Economy.

DEMONETIZATION IN INDIA

The prime minister made the much-publicized decision to demonetize at 8:15 p.m. on November 8, 2016, in an unscheduled national live broadcast, rendering high-value notes worthless at midnight. As a result of Modi's demonetization initiative, 86% of the time's currency went out of use immediately. The general public had the option of either handing over the counterfeit notes within the next 50 days (through December 31, 2016) or going to any bank branch in the nation to exchange the counterfeit tenders for valid currency notes that were comparable in value. The move led to extremely long lines, chaos, panic, and several deaths in a nation with the second most people in the world. the reserve bank of India received 99 percent of the banned currency after demonetization. The banned currency totaled Rs 15.41 trillion, but Rs 15.31 trillion was returned to the banking regulator.

POSITIVE IMPACT OF DEMONETIZATION ON INDIAN ECONOMY:

1. Examine the inflation of food: food inflation in the economy was halted as a result of demonetization's substantial currency withdrawal. The liquidity crunch resulted in a significant decrease in foodgrain stockpiles. As a result, between November 2016 and January 2017, food inflation decreased significantly by approximately 240 basis points.
2. Elimination of counterfeit money: The economy was completely free of counterfeit (counterfeit) currency. One government action severely harmed the racketeers of counterfeit currency.
3. Expansion of cash deposits: Jhan dan accounts saw an increase in cash deposits. Financial inclusion was accelerated by this. The rbi estimates that rs. Following demonetization, 11.5 lakh crore dollars were deposited in bank accounts.
4. Hawala transaction attack: since cash was so close to disappearing from the economy, hawala transactions—transactions and transfers of money that were hidden—were severely impacted.
5. Confirmation of past dues: people rushed to pay off outstanding bank loans, property taxes, electricity bills, and other debts. Because the government gave people a chance to pay their old dues using the old currency, which had been demonetized
6. Encourage digitization: people were compelled to use digital means of payment as a result of the imminent demise of cash on the market. This marked an important step toward a cashless economy. It also encouraged people to use banks, a significant step toward financial inclusion.
6. Tax compliance: better tax compliance resulted from the switch from cash transactions to banking ones. The tax-to-gdp ratio increased noticeably for the government.
7. Cleansing the real estate: the real estate industry was thoroughly sanitized as a result of demonetization. The shadow economy's focal point was this sector. Following demonetization, the real estate industry lost its appeal for speculative investments made with black money. Real estate prices have dropped dramatically, and housing is becoming more affordable for middle- and lower-class people.

NEGATIVE IMPACT OF DEMONETIZATION ON INDIAN ECONOMY:

1. A severe impact on economic feelings: the country's monetary base was significantly reduced as a result of the idea of banning nearly 86% of the currency currently in circulation: the monetary base shrank from Rs 22.5 trillion to Rs 13.7 trillion, severely affecting domestic economic sentiment. Economic sentiment is the driving force behind economic activity, and if economic sentiment declines, economic activity will also decline. As a result, all aspects of economic activity—production, consumption, investment, and exchange—

experienced a significant jolt following demonetization. There was an environment of economic slowdown, as producers planned lower output, consumers planned lower consumption, investors planned lower investment, and exchange started to shrink.

2. Mass layoffs in the unorganized sector: in India, nearly 90% of the workforce works in the informal sector to make a living, and they are highly cash-dependent and cash-sensitive. Following the note ban, production activities immediately decreased due to a significant reduction in liquidity. Demonetization resulted in widespread layoffs in the unorganized sector, and daily wage earners lost their jobs immediately.
3. Imprint in gross domestic product development: a significant reduction in GDP growth was implied by massive layoffs and declining economic sentiment. The majority of estimates, including one from prof. Manmohan singh, the country's former prime minister, claim that demonetization resulted in a nearly 2% decline in GDP growth.
4. Real estate slump: the economy's real estate sector has suffered as a result of demonetization. In the Indian economy, this sector has been one of the primary drivers of GDP. 183emonetization has, without a doubt, cleared this sector of transactions involving black money. However, at the same time, transactions in this industry have reached rock bottom. Inventory has accumulated while construction activity has been severely affected. There are no more employment opportunities. The prospects for this industry's revival are rather dim and remote. The Indian economy's overall expansion will undoubtedly be severely impeded by the real estate sector's stagnation.

DEMONETIZATION: IMPACT

Economists all over the world took note of the sudden change negatively because it affected an economy that relies on cash, like India. The RBI lowered the daily withdrawal limit, making things worse. Demonetization upset the local economy and caused the rupee to fall against the dollar, despite promises that it would assist the government in combating benami, underground, and money laundering. A cash crunch erupted as a result of 86% of the currency in circulation being illegally held, severely affecting industries that depend on cash, such as real estate.

POSITIVE CHANGES IN OUR ECONOMY.

- The government should set up a special committee of experts from a variety of fields to mitigate the negative effects of demonetization on the indian economy. The government should publish the data on a regular basis to make people aware of the progress made with demonetization.

- Everyone needs to be taught how to use credit and debit cards, e-wallets, and other payment methods if we are to achieve our goal of eliminating cash from our economy.
- Workshops and seminars should focus on rural residents who are unfamiliar with the internet banking system.
- More branches should be opened in rural areas without a bank.
- To attract low-income groups and rural residents, private banks ought to also provide zero-balance bank accounts.

SUGGESTIONS:

- In order to alleviate the negative effects of demonetization on the Indian economy, the government should establish a special committee made up of experts from a variety of fields. In order to raise people's awareness of the progress that has been made with demonetization, the government ought to periodically publish the data.
- In order to make the goal of making our economy cashless a reality, educate everyone on how to use e-wallets, credit cards, and debit cards.
- Individuals living in rural areas who are unfamiliar with the net banking system should be the subject of workshops and seminars.
- In rural areas without a bank, additional branches should be opened.
- Private banks should also offer zero-balance bank accounts to attract low-income groups and rural residents.

CONCLUSION: -

In the process of demonetization, the 500, 1000 no of currency available in India. 98.97% the government has improved near about 59 rules related demonetization process and also, they are giving 50 days to improve the economics situations by the help of minor available money in the economy. The government has introduced so many means related to cashless concept. Like as credit card, debit card, atm cad, Paytm, Bhim app, online market, cheque, etc... but this is not proper way to improve the Indian economy. So, we can find the economy inequality group and poverty in India. But in present situation the policies good and necessity for our countries. But at every stage we can face so many financial problems and currency problems in India. Therefore, the India has not to fulfill the highest percentage of GDPA ratio and also economic development and growth ratio properly. At last, we can say the demonetization policy experiment is one type of small stapes to fulfill the big economic growth and development objectives.

economists are busy in pointing out the pros and cons of the demonetization policy but the government opines that the former outweighs the latter. Even though

there is suffering and agony among the masses but the government is very optimistic and point out that the benefits of this policy will be evident in the long run. Note ban in India has shown good result in the elimination of black money and eradication of corruption. Government should take all the necessary measures to minimize the hardships being faced by the public. It is expected that demonetization policy will definitely bring about.

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