



A STUDY ON DEMONETIZATION AT BANKING SECTOR IN INDIA WITH PARTICULAR REFERENCE TO CHITTOOR DISTRICT OF ANDHRA PRADESH

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ABSTRACT :

Demonetization refers to change of currency by a government to control illegal activities and transactions. India initiated its controversial plan of demonetization on 8th Nov 2016, by making the Rs 500 / 1000 notes not as circulating medium. Through this momentous move the Indian Government tried to tackle four key issues: undesirable increase of black money, corruption, fake currency circulation and funding of terrorist activities in the country. This termination has its major impact on ten sectors: Agriculture, Real Estate, Construction, Manufacturing, Financial, Aviation, Tourism and Hospitality, Telecom, Healthcare and Automobile. Its worse impact is on Financial and Real Estate, Construction, Tourism and Hospitality. Demonetization was a move initiated by Indian government to cleanse the formal economic system and discard black money in India. This courageous act nullified around 86% of the Indian currency. Another reason to implement this termination is to keep a check on the illegal activities like smuggling, terrorist activities and espionage. It was declared that existing rupee five hundred and one thousand notes would no longer be used as circulating medium. The first demonetization related to conversion whereas the second was termed as collection. Property sale, in both primary and secondary markets, were affected during November-December due to demonetization as consumers postponed their buying decisions not only in real estate but also across all sectors. YES Securities recent report on Demonetization says that the short-term implications for cash-intensive sectors such as real estate, construction, and consumption are severe. However, in the medium term, there are benefits through higher government spending, better transmission, greater financial inclusion and Scope and Limitations of Demonetization:- movement of household savings from physical to financial would be beneficial for boosting potential growth of the economy.

KEYWORDS : Demonetisation, Indian Economy, financial Inclusion, Market Formation .



INTRODUCTION

The intentions behind demonetization are to nullify all the black money in the country and to introduce new denomination bills. This should ideally either bring out the black money if the hoarders wanted to or just assume that it is vanished like some object in a black hole if the hoarders don't want to bring it out. Either of them is beneficial to the financial corruption

break down in the economic, social as well as the political stability of a country. As per reports, the financial corruption major involved the currency notes of bigger denominations. Hence, the outcome of termination of Rs 500 and 1000 currency notes is expected to put an end to such practices. People, who had stored money from malicious practices, would have to deposit the older notes to the banks that will bring the entire fund to the notice of the Income Tax department and enforcement directorate. An effective way to fight the immediate danger of fake currency notes is demonetization. In the last few years, terrorists from the neighbouring countries had been consistent to destroy the financial stability of India by introducing fake currency notes to the market. These evil forces mainly used to create the currency notes of Rs. 500 and Rs. 1000 and the introduction of the new series currency notes have put an end to such practices. As per the reports generated in last one month time after demonetization, the immediate danger of fake currency note has been overcome. This had strengthened the economy of the country.

REVIEW OF LITERATURE

Sagar Burse(2018) This paper will help us to understand the thinking of the public about the demonetization and to understand the positive and negative Impact of Demonetization in India. It will also give some insight about some less discussed issues related to the impact of demonetization.

Himanshu Kushwaha, Ashwani Kumar, Zainab Abbas(2018) The study attempts to understand meaning and reasons of demonetisation, the sectorwise impact of demonetisation. This study also gives an insight into the positive and negative impact of demonetisation on Indian economy.

A. Dash (2018) This journal deals with socio economic effect of demonetisation in India. This study also explains the importance of the demonetisation and also explains how this demonetisation will affect the liquidity state of money in our country.

Dr. Dimpal Vij (2018) This paper is an attempt to find out these short-term impacts of demonetization on Indian Economy both positive and negative. This study adopts a descriptive, analytical approach based on secondary data to find out these positive and negative effects of this demonetization on Indian economy in last one year.

K. Veerakumar(2017) This paper explains the impact of demonetization on the public. It also results that demonetization helps to destroy black money is the first ranking given by the respondents and it is followed by corruption, terrorism etc.

Aman Mangal, Kaustubh Kalyankar, Prof. Ravikumar B(2017) We have tried in this paper to find what are the factors and impacts of demonetization on the Indian economy and its people.

Abhani Dhara.K(2017) The objective of this study is to investigate about the impact of the demonetization over the banking sector. The study covers the banking sectors of specially veraval city.

OBJECTIVE OF THE STUDY

To Know about the Demonetisation at Banking Sector in India

RESEARCH METHODOLOGY:

The study is undertaken only on secondary sources of data and information. For secondary sources of data and information mere dependence is placed on available standards literature comprising referred journals, articles, books, magazines, newspapers etc.

IMPORTANCE:

Builds Deposit Base and Savings: Currency end expands store base and investment funds as people will store more and store less physical money at home. **Enhances Financial Transmission and Reduces Lending Rates:** with money demonetization, there will be a development of cash from people to banks and Financial Institutions. The ascent in store rates would put the majority of this cash into course. The expense of assets will decrease for Banks/FIs, and the general loaning rates for different exchange, business and trade exercises would diminish. **Makes Room For Financial:** With enhanced monetary transmission, there will

be space for an undeniably progressively liberal budgetary arrangement, which would result in a further decrease of loan costs later on. Most experts are as of now anticipating a lower repo rate in the coming months. Guide Boost to Added Support for Government Finances: the Government will fundamentally profit by the extra money that is pushed into the economy. There will likewise be an a lot higher gathering of salary and different assessments by the Government. Gross domestic product Growth Potential: More than momentary advantages, there is an edge of long haul GDP development too, which we ought to most likely see throughout the following couple of years. This move could decidedly affect the GDP figures of our economy by around 2018. Long haul Benefits: a couple may reprimand this move at present, yet it will bring various long haul benefits for the country's financial wellbeing. This whole exercise may be somewhat discomfiting, yet demonetization will have long haul advantages and suggestions.

INTERPRETATIONS:

Demonetization will expose those organisations that have revolt with the prevailing tax rules. It is an open secret that every year the Government has to lose revenues in several thousand cores for a few dishonest organisations, deliberately abstaining from tax payment. The adverse effect of this activity falls on the honest taxpayers who are the majority. As the outcome of the demonetization, entities that had created a fund out of such black money will have to deposit or exchange the currency notes from the bank. As per the prevailing practices, a bank account holder compulsorily needs to provide the bank their AADHAR card number. In addition, if any individual or institution is depositing over 2500000 INR, needs to disclose the sources of generation of the fund. As the AADHAR number is unique and it enable the bank and the Income Tax department to link all the accounts having the same registered AADHAR number, if any party is trying to escape the situation by depositing the entire fund in more than one account, it will be easier for the IT department to track such measures. As per reports, since the demonetization, the IT departments have issued a show-cause notice to a very high count of suspected individuals, just within a period of 30 days. The figure of collected revenues will be improved by the government. As per the clause of the demonetization, there is provision to impose up to 200% penalty from such organizations that would try to legalize their fund of black money. A significant amount of money will be brought into the hands of the government by this demonetisation. As the government revenue increases, it will strengthen the national economy. It is expected that as the revenue increases, the government will enhance the allotment on social security and development projects.

CONCLUSION:

Cash transactions were another tool for immoral parties to avoid paying the necessary taxes and duties. The call for demonetization will make the Indian economy to embrace the plastic money to a higher extent. This will bring more transactions in the market under the supervision of the government. Though this termination creates some sorts of troubles in the course of daily life, you cannot overrule the point that it is just about a pain to incur gain. This call for demonetization is the most important reformative step that has been taken since independence. It is expected that in due course of time it will bring multiple integrated and sustainable benefits to the nation.

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