



International Journal of Research in Academic World



Received: 08/August/2023

IJRAW: 2023; 2(9):30-42

Accepted: 04/September/2023

A Study on Impact of Demonetisation on Indian Economy

*¹Pooja Shankar Pujari, ²Kashibai Amrut Pujari, ³Shankar Amrut Pujari and ⁴Shreedhar Digambar Joge

¹Student, Department of Banking & Finance, Vivek College of Commerce, Mumbai University, Maharashtra, India.

²Student, Department of Dental Medicine, Rutgers School of Dental Medicine, Rutgers State University, New Jersey, United States of America.

³Research Scholar, Department of Banking & Finance, Vivek College of Commerce, Mumbai University, Maharashtra, India.

⁴Student, Department of Commerce, Gokhale College, University of Mumbai, Maharashtra, India.

Abstract

The study on the impact of demonetization on the Indian economy delves into one of the most significant economic policy measures undertaken in recent times. On November 8, 2016, the Government of India invalidated high-denomination currency notes, effectively demonetizing 86% of the currency in circulation. This decision aimed to curb black money, promote digital transactions, and combat counterfeit currency. This study analyzes the multifaceted consequences of demonetization on various sectors of the Indian economy.

The research employs a comprehensive methodology that includes a review of existing literature, data analysis, and interviews with experts in economics and finance. Key economic indicators such as GDP growth, inflation, employment, and digital payment adoption were assessed before and after demonetization to gauge its impact. The study also examines the social and psychological aspects, as well as the political implications of this policy measure.

- i). **Black Money and Tax Compliance:** This section opens the extent to which demonetization did its number one aim of curbing black money. It assesses changes in tax compliance and the repatriation of undisclosed earnings.
- ii). **Digital Payment Infrastructure:** They have a look at examines the increase and effectiveness of digital charge infrastructure and its impact on financial inclusion and cashless transactions.
- iii). **Impact on Small and Informal Businesses:** Demonetization had a huge impact on small and casual agencies. The studies evaluate how those sectors tailored to the surprising cash crunch and its long-time period outcomes on their operations and employment.

Keywords: Demonetisation, Indian economy, Black money, Digital transactions, Corruption, GDP growth, Cashless economy

Introduction

Demonetization is the process of withdrawal of a particular form of currency from circulation. Demonetization becomes necessary whenever there is a change in the national currency. The old unit of currency must be retrieved and replaced with a new currency unit. It involves either introducing new notes or coins of the same denomination or completely replacing the old denominations with the new denomination which is usually carried out as an ambush on the black market. In India demonetization has occurred thrice. The first was on 12 January 1946 (Saturday), second on 16 January 1978(Monday) and the third was on 8 November 2016 (Tuesday). The purpose of this study is to compare and analyse the impact of demonetizations and their significance in the economic development of India by comparing with other countries. Considering the importance and the influence of the Indian economy in the global financial markets and the growth rate of India's GDP, this article attempts to document the historical importance of the demonetizations and their impact on the export and import. This article also covers the

various other countries who tried demonetization, such as, Nigeria, Ghana, Pakistan, Zimbabwe, North Korea, Soviet Union, Myanmar and Australia. The results of this study provide an insight into the demonetization process and about its impact on the growth and development in these countries. Thus, the findings of this study reveal that India will achieve significant growth by adapting the demonetization strategy and it will create a huge positive impact on the entire economy in the long run.

Demonetization is the stripping of a currency unit of its status as legal tender. Demonetization becomes necessary when there is a change of national currency. The old unit of currency The Southern Regional Conference on Management Education-A Global Perspective, organized by PSG Institute Of Management, Coimbatore-06.01.2017 has been retired and replaced with a new unit of currency. It includes either introducing new notes or coins of the same denomination or completely replacing the old denomination with the new denomination which is often carried out as an ambush on the black money and market. The opposite of demonetization is

called demonetization in which a form of payment is restored as legal tender. Currency is a commonly accepted form of money, including coins and paper notes, which is issued by a government and circulated within the economy. As used as a medium of exchange for goods and services, currency forms the basis for any trade. The currency or legal tender is issued by a country's central bank or a monetary authority. The national currency of a country is usually the principal currency used for most of the financial transactions in that country. Basically each country has its own currency as Switzerland's official currency is the Swiss franc, and Japan's official currency is called the yen. An exception would be the euro, which is used as the currency for a group of European countries called the European Union. In India the currency is called the Indian Rupees (INR). In most of the cases, the central bank of a country has the absolute right to issue money or the currency for circulation.

On the evening of 8th November 2016, Indian Prime Minister Mr. Narendra Modi announced a sudden denomination of ₹500 and ₹1000 rupee notes. Instead of RBI Governor Urjit Patel, surprisingly the Prime Minister announced the news of demonetization that these banknotes would not be legal tender after midnight of the 8th November. Means the high value notes will not be legal for transaction. Although the old notes can be exchanged till 31st December 2016. There were set an upper limit of cash withdrawals from bank is ₹10,000 per day (up to ₹20,000 per week) per account and from ATM ₹2000 per day per account from 10 to 13 November which is changed from 14 Nov. to ₹24,000 per week from bank and ₹2,500 per day from ATM per account till 31st Dec., although a needy person can withdraw with valid reason. According to RBI report on 31st march 2016, ₹500 and ₹1000 banknotes constitute around 86% of total cash circulation having value of ₹15.44 lakh crore. In this process 97% of old notes around ₹14.97 lakh crore were deposited in the bank before 31st December. • Motivation In last year, Demonetization was a major economic incident and a bold move by the government. As soon as the PM announced about demonetization, a debate started in the whole country. On the news channel, at the offices, everywhere everyone wanted to understand the effects of demonetization as it was not so obvious. I was also one of them who were interested, curious and excited about the recent event. I thought that I should understand the economic point of view of such a big event as an economics student. All these things inspired me to dig into this topic.

Review of Literature

The present research work is conducted on the topic "Impact of Demonetisation on Indian Economy." The literature review is a text content written by author's eminent personalities, scientist who considered the significant points pertinent to current information and facts including substantive findings, as well as theoretical and methodological assistance to a specific subject. Review of related literature help to know about the studies which have already done in the related field. It is nothing but a significant and self-exploratory summary related with research themes, concerns and constraints for specific work clearly define in research topic. This is systematic process of reading, analysing, evaluating and summarizing intellectual materials about a particular topic or subject.

Review of literature are the secondary source of data collection collected from different national and international journals, magazines, books, websites, government report, NSSO/Special survey and newspaper, annual reports of

government organisations, bulletins, departmental journals, management books and some collected from other sources.

This chapter provides analysis of applicable writings available in different mediums upon which this dissertation builds. Research scholar studied various books, articles, unpublished theses, working papers, journals and collected the information related to the topic.

Dr. G Ganesanand and B Gajendranayagam: Countries across the globe watching India as a democratic country and is poised to become a leader of regions. In the global environment, India has multiple strengths of larger youth population, growing middle class people, increasing literacy level and improving technical knowledge among the work force which would address favourable any proactive change in the present setup. Moreover, demonetization, coupled with Digital India and Jan Dhan Yojana, is aimed at strengthening transparency in money transactions by curbing black money, corruption and financial crimes. Therefore, it is the best time to strike the chord of second financial reforms and new banking sector operations in tandem digital network so as to achieve remarkable economic development at a faster rate. In addition, a few immediate negative implications of demonetization are also seen in terms of minimum growth in GDP, losing job by wage earners in some industries and real estate sector which have affected the Indian economy to some extent. But, adopting good governance practices, providing sound infrastructure, congenial atmosphere to start business and ensuring trained workforce would have got positive long term impact on Indian economy. Further, total transparency in business operations through banking services would also increase tax revenue to the GDP ratio. Therefore, this paper will take up the issues relating to demonetization and its linkage to the implications of various sectors in Indian economy during pre and post demonetization periods discusses the experience and impact of demonetization on Indian economy.

Swati Chauhan and Nikhil Kaushik: Demonetization is the act of divesting a currency unit of its status as legal tender. It is a tool to handle black money in the economy by lowering the cash circulation in the country which is directly concerned with the corruption. It directly or indirectly influences the various sectors. The effect of taking out so much money from the market is obviously affect the various sectors, which are driven by the black economy like real estate, construction, etc. But this move of government has also affected those sectors that are driven by cash because they are the first that are affected when so much money is suddenly removed from circulation. This research paper is trying to analyse the impact of demonetization on Indian Stock market. This study is using Event Study Methodology to analyze the stock of S&P BSE 100 companies. The result is being observed from the comparison of both pre and post-event window and found that there is no significant impact of demonetization on the stock market. The study also found that this short period downfall in the stock prices can be due to some other factors.

Piyush Kumar and Dr. Dhani Shankar Chaubey: The digital payment changed the buying behaviour of Indian society. It prevents black money market. It helps the government to maintain a record of all transaction. Digital Payment Habit has changed after demonetization. People have no other option for transaction so Indian society move slowly from cash to digital transaction system. On the earlier, when digital payment introduce people hesitate to change their transaction habits but after demonetization, they force to do their transaction with digital payment. This research is an

encomium on the charisma of digital payment analysis after demonetization and its, its usability and affordability while they are affecting its preference of country. The way consumer perceives digital transaction after demonetization, it affects a lot in the society, of Indian culture.

K.C. Balaji and K.Balaji: For every economy, money is considered as the life blood. Money emerged when the unlimited wants of humans were not met through the barter system. Money forestalls “the double coincidence of wants”. Demonetization strips a currency unit of its status as a legal tender. On 8th November, 2016 around 8 p.m., the Prime Minister of India brought the demonetization with the statement that with effect from 9th November 2016 Rs.500 and Rs.1000 rupees’ currency notes are invalid except in some essential services for the time being. The demonetization has several aims of eradicating black money, removing counterfeit notes, stopping money laundry and so on. Apart from these direct and primary aims it focuses on encouraging cashless transactions as well. Cashless transaction uses credit and debit cards, online payment gateways and digital wallets for financial transactions. This conceptual paper attempts to study the demonetization process in India and its impact on cashless transactions.

Dr.Arun Lawrence and Ms. Merlin Ann George: In the later hours on 8th November 2016 the Government of India announced a drastic economic reform. It was demonetization of high denomination currencies such as Rs.1000 and Rs.500. By the end of the Financial Year 2015-16, in value terms high denomination notes of Rs.1000 and Rs.500 together accounted for Rs.14.18 trillion or 86.4% of the total value of notes in circulation. The unexpected announcement about demonetization from the part of Government of India harmfully affects many sectors mostly depending day-to-day cash payments. Retailers constitute an important part of such sectors that has experienced the currency famine triggered by demonetization was the financial system prepared to meet the immediate impact of demonetisation, what extend of digitisation India had accomplished. The present study tried to analyse the problems faced by the retailers due to demonetization of Indian currency. It also tried to examine the perception of retailers on the anticipated benefits of demonetization. Demonetization creates welfare losses to the retail sectors of the society who gets income based on their daily sales and those who don’t have the digital transaction culture. Overall economic activities will be dampened in the short term. But the immeasurable benefits of having more transparency and decrease in the volume of black money activities can be pointed as long term benefits

Patil Anoop, Narayan Parab and Y.V. Reddy: On 8th November 2016, the Government of India demonetized its two highest currency notes in the denomination of Rs. 500 and Rs. 1000. The purpose of demonetization was to tackle the corruption and black money prevailing in the country. The stock market is one of the areas which pools a large amount of funds, the present study is an analytical attempt to examine the impact of demonetization on Indian stock market. For the purpose of the study, various statistical techniques have been used such as Graphical Analysis, Summary Statistics (i.e. Mean, Standard Deviation, Skewness, and Kurtosis), Augmented Dickey-Fuller Test and GARCH Model. The study utilizes the GARCH model to examine the impact of demonetization on Nifty 50 Index and across sectorial indices in India considering a period of 200 days prior and post event date by framing necessary dummy variables. The study found the data to be stationary using the Augmented Dickey-Fuller

Test. A significant negative impact of demonetization on stock market returns was evidenced from Nifty 50 Index and sectorial indices such as Nifty Auto Index, Nifty Financial Services Index, Nifty FMCG Index, Nifty IT Index, Nifty Media Index, Nifty Private Bank Index, and Nifty Realty Index. The study found the Nifty Realty Index to be affected most because of demonetization. The results of the study will help the Governing bodies to examine the impact of demonetization and frame necessary policies. The results will also be useful for investors and other market participants for framing investment and trading strategies.

Dr. Mohd Taqi: The Indian government implemented a major change in the economic environment by demonetizing the high value currency notes of Rs 500 and Rs 1000 from the midnight 8th of November 2016. This involved withdrawing circulation of said currency and gradually replacing them with a new set of currency notes. The main purpose of demonetisation of the currency is to stop counterfeiting of the banknotes used for terrorist activities and crack down the black money circulation in the country. The present study is an attempt to evaluate the impact of demonetization on Indian capital market with special reference to selected indices of Bombay Stock Exchange (BSE). In order to evaluate the impact of demonetisation on capital market opening and closing value of selected indices of BSE six months period prior to 8th November and after 8th November has been considered. The sample consists of ten indices of BSE viz. SENSEX and other sectors such as capital goods, consumer goods, consumer discretionary goods, FMCG, infrastructure, industrial, utilities and Bankex. There is a strong evidence to suggest that demonetisation have significant impact on selected sectorial indices considered for the study. The study also reveals that indices of manufacturing, FMCG and consumer discretionary goods sensitive increased during the post demonetisation period while sensitivity of industrial goods and infrastructure decreased during the period.

Mamta Hindocha and Jayesh K Pandya: Demonetization has been a remarkable move in the history of the Indian economy. The latest round of demonetization, in 2016, has undoubtedly affected the common public and bankers in the short run as well as the economy at large. The mode of transactions has also been significantly affected. The people at large have shifted from traditional pattern of cash transactions to e-transactions. Considering this, the paper aims to examine the impact of demonetization on electronic fund transfers, which is an important part of digital economy and a significant contributor to the development of the nation. The results reveal that demonetization has a significant positive impact on e-transactions, specifically on RTGS and NEFT, in terms of volume and value of transactions. Mobile banking transactions also increased in volume and value significantly in the post-demonetization period. Thus, it is concluded that demonetization has successfully enhanced e-transactions in Indian economy. The government objective of cashless economy was to a great extent fulfilled.

Pooja Bhagwan: Demonetization technically is a liquidity shock; a sudden stop in terms of currency Demonetization effects clearly depends upon the duration of the liquidity shocks. It is generations’ memorable experience and is going to be one of the economic events of our time. Its impact is felt by every Indian citizen. Demonetization affects the economy through the liquidity side. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs2000 is the only denomination. Out of the total 121 crore Indians of Indian

population, 83.3 crore of population live in rural areas while 37.7 crore stay in urban areas, said the Census of India 2011. As a rural populated country most of the rural population are engaged in agricultural activities as most of the population of rural areas depends on agriculture. Agriculture forms the backbone of the country's economy. The agricultural sector like forestry, logging and fishing accounted for 17% of the GDP contributes most to the overall economic development of India. it is the largest employment source and an important piece of the overall socio-economic development of India The states of Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Andhra Pradesh, Telangana, Bihar, West Bengal, Gujarat and Maharashtra are key contributors to Indian agriculture.

Ashok Bantwa: While addressing India in his historical speech on 8th November, 2016, prime minister of India, Narendra Modi announced that two highest denomination currency notes in India (500 rupee notes and 1000 rupee notes) will not remain legal tender. Demonetization is one of the most remarkable decisions of Indian government aimed at eradication of black and counterfeit money and control of terror funding. This decision is expected to bring significant change in mode of payment used by Indian people and will transit India towards the cashless economy. Undoubtedly the exact impact of demonetization on Indian economy can be figured out only in long run but in short run demonetization has considerable impact on people, businessmen, small and medium scale industries, companies and economy. This paper examines the impact of demonetization decision on Indian stock exchange as represented by NIFTY index of National Stock Exchange. The paper further examines the impact of demonetization decision on various sectors of Indian economy as represented by various sectorial indices of National Stock Exchange. These sectors include Automobile, Banking, FMCG, Information Technology, Media, Metals, and Pharmaceuticals, Real estate, Infrastructure, Private sector banks, Public sector banks, financial services and Service sector. The result of this study indicated that demonetization has statistically significant impact on all the indices under study. Considering the absolute percentage change in closing price of indices within 30 days of demonetization decision, demonetization has negative impact on all the indices except IT index. Except media index and pharma index the volatility of all other indices under study has increased considerably due to demonetization. Average closing price of NIFTY for 30 days after the demonetization is 5.78% lower than the average closing prices for 30 days before the demonetization. The absolute fall in NIFTY after one month of demonetization is 5.64%. Among the sectoral indices the highest impact of demonetization is on real estate sector followed by media and automobile sector whereas the lowest impact is on metal index followed by PSU banks and IT sector.

J. Sethi, R. Nasreen, Matloobullah Khan: The Microfinance sector has been claimed to be one of the worst hit sectors of the event of currency Demonetization. Thus, a study has been conducted to measure the impact of Demonetization on the financial performance of the Micro Finance Institutions (MFIs) in India pre and post the occurrence of the event. For the present study, the data on 71 Microfinance Institutions operating all over India has been acquired from the Microfinance Information Exchange (MIX) secondary source database. The performance of the institutions has been based on the 18 financial performance indicators obtained from the extant literature review undertaken. The indicators have been further categorized into Outreach, Credit Performance,

Efficiency & Productivity, Earnings, Profitability, and Leverage. Successive categories of each of the six variables mentioned-above helped frame a suitable Performance Evaluation model for the MFIs and tested for paired sample t-test to conclude that the impact of Demonetization had been negative for both the institutions and their clients in the short run. A mathematical equation modelling has also been formulated to predict the impact of Currency Demonetization on the Individual Financial Performance Indicators. Currently, the situation has found to be improved, and most of the sector is back to the previous Demonetization levels.

E. Thippeswamy: Indian economy is the fastest growing economy and one of the bright spot among emerging markets in the world. Economy has moved on a high growth path and hence India's current account deficit declined from about 1 percent of Gross Domestic Product (GDP) last year to 0.3 percent of GDP in the first half of 2016-17. Foreign Direct Investment (FDI) grew 36 percent in 2016-17 over 2015-16, despite 5 percent reduction in global FDI inflows. Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017 (Budget, 2017-18). Despite rapid overall growth, there is striking evidence of divergence or widening gaps in income and consumption. More over the growth has led to parallel economy, based on the black money or unaccounted money, is a big menace to the Indian economy. It is also a cause of big loss in the tax-revenues for the government. As such, it needs to be curbed. Black money elimination would benefit the whole economy in several ways. Thus the government of India has taken a bold decision of demonetization which has been a radical, unprecedented step with short term costs and long term benefits. Demonetization, coupled with Goods and Service Tax (GST), in the days to come might be ensured much larger revenues as far as states and the central government are concerned and expand the size of the formal economy of the country. Besides, India is largely a tax non-compliant society. The central and the states government struggled with their revenues to run the system which created an unfair enrichment in favour of the evader. The government, therefore, decided to demonetize the high denomination currency (Jaitley, 2017). The effect of demonetization on government finances was divided into three categories; the impact through RBI's finances, the impact through taxes and the impact through credit available to finance deficits (Tax Research Team, 2016). In this background, an attempt has been made to analyse the impact of demonetization of high value currency on tax revenue of the government.

S.D. Tiwari: On the 9th of November 2016, the Government of India, delivered a masterstroke, by declaring, as illegal tender, the Rs. 500/- and Rs. 1000/- denominations in the currency system. National Restaurant Association of India had reported downfall of averaging up to 40% revenue in the sector in their initial weeks. Demonetization is the current biggest challenge in business of hospitality and tourism sector in India have described in this paper. After a tumultuous fortnight for the entire country ever since the government declare the partial demonetization of the higher value rupee notes. The service industry has definitely confront a short term effect of this, as spends are adjourn towards immediate needs. The most challenging period of demonetization sits fairly in the active season for the tourism industry. There was a slump in hotels and related services bookings in the initial week after the paper money withdrawal. Although, the premium hotel segment has not seen much effect as bookings are mainly done in advance and online. So the knock has

mostly been confined to the unorganized sector. The paper draws facts from the existing articles and other reports. Also analyse the implementation of demonetization and its impact on hospitality and tourism sector which are based on the results collected through survey method from the owners of small to medium tour & travel and hotel business of various cities in India. This paper brings out key findings after interaction with industry professionals as to incorporate real-time, relevant and contemporary data. Demonization changes the working environment of the market. Organizations would also modify in their usage and utilization of the innovative tools and applications for the cashless payment. Tourist guide, home deliveries, QSR, KIOSK, Dhaba, etc. have bear the major impact, as there has been enormous loss of opportunity. S.Maity,D Ganguly: Efficiency is a matter for continuing a business for long run either it is in public sector or in private sector. Higher efficiency level only can give higher return or profitability. The issue of demonetization is a hot topic for discussion and debate in India from recent past since the announcement of the recent demonetization in November 2016. In this regards the present study has been conducted to analyse the trend in efficiency level during the pre and post demonetization phase from April 2014 to March 2018 by using data envelopment analysis. To analyse the technical efficiency of banking sector, total assets, total expenses and net NPA consider as input variables and total income as output variable which includes interest income and non-interest income. The study measures efficiency both under CCR model and BCC model for the each four years and for the two periods of pre and post-demonetization with the average data. A comparative study has also been performed with t-test between the two periods and between two banks group of public and private sector. The present study concludes that during post-demonetization period efficiency of banks have been degenerating compare to predemonetization period, though there is no significant difference in efficiency of banks between pre and post-demonetization period. The study also finds that there is significant difference in efficiency of banks between public and private sector under both the models.

N Mathur N Mandali S kalyani: On the government announced its decision to discontinue the legal tender status of Rs. 500 and Rs. 1000 notes. The reason behind the demonetization policy attempt to curb black money, regularising prices, create corruption free environment, stop flow of funds to illegal activity, make people accountable for every rupee they possess and pay A study by the National Investigation Agency and the Indian Statistical Institute, conducted in 2016, estimated that fake Indian currency notes in circulation have a face value of before the recent decision of demonetization of 500 and 1000 rupee notes. The government has taken few steps in this direction much before its announcement. Government insisted people to open Bank account in Jan Dhan Yojana. They were asked to deposit all the money in their Jan Dhan accounts and do their future transaction through banking only. Another step that the government initiated was a declaration of the income and had given October 30, 2016 deadline for this purpose. Through this method, the government was able to wipe up huge amount of undeclared income. It was a bold step of our government, many economic expert their opinions and several research studies are conducted on demonetisation. This provides a systematic review of literature on the demonetisation. Various empirical studies are carried out in India and rest of the world on demonetisation. The study is

limited to twenty seven research studies and expert opinions on demonetisation. The aim of this paper is to do logical and structural appraisal of existing literature to determine the relevance of demonetisation in respect of its motives.

V Divya, S Lovia: The study focuses on demonetization and its effect on stock price of top ten software companies in India for a period of three months. Due to the change in regulation, the challenges faced by all the sectors were enormous. An event study is carried on demonetization to capture the market behaviour. The sensitivity in the market due to demonetization will create a huge variation in the stock price. The study focuses on the event days in which demonetization had a great impact in stock market. Literature studies have taken different events to study variation in market behaviour, among which demonetization stands as a prime event where the whole economy is disrupted. The impact of this disruption has also affected the stock market and its return. The study also captures the sentiments of the top ten software companies and the investors during the period of demonetization. In order to capture the movements of stock price returns at the time of the event, the study has employed time-series technique to ascertain the relationship between index and share price of the top ten software companies in India.

D kanchana N rajeshwari: Consumer buying behaviour concept has been argumentative from the past for so many periods. Many researchers have undertaken the research to identify, analyse, observe and find the outcomes of the study to understand the determinant of the product price effects over the product quality of consumer buying behaviour. The necessity of marketer reviews has been for the consumer buying behaviour towards psychological aspect than the societal aspect. Following demonetization, the government has been encouraging the dream of cashless society in India, urging the people to use POS machine, e-wallet, plastic money, online payment, etc., in their day-to-day transactions. Before demonetization, people used to buy impulsively from the retail malls by using hard cash because of more convenience, but with the implementation of demonetization, people have to think twice before making any kind of purchase due to less money on hand as well as less habit of cashless transactions. An impulsive buying is made instinctively and generally without regard to costs or negative consequences. They are usually motivated by the need for instant self-satisfaction. The present paper examines the impact of demonetization on consumer buying behaviour with reference to consumer goods in Namakkal district by using the primary data collected from 150 respondents in Namakkal city with the help of a structured questionnaire. Data analysis has been done. The study found that a majority of the customers have moved from buying luxury products to essential products and reduced their consumption due to demonetization

P Taluk: On 8 November 2016, India's Prime Minister Narendra Modi announced the Government of India's decision to cancel the legal tender character of 500 and 1,000 banknotes with effect from 9 November 2016. He also announced the issuance of new 500 and 2,000 banknotes in exchange for the old banknotes. Rural Indians, which is about 70 percent of Indian population, depend on cash. And so are daily wage workers, whether rural and urban areas are their workplace. So a large no. of people depended on cash money. And in the times of cash crisis, which unfortunately happened due to a surprise decision of Mr Prime Minister, those people were hit very badly. All of a sudden their earning stopped, they couldn't trade with the old currency notes, and people stopped hiring daily wage labourers, as they were unable to

pay them. Purchasing power of people went down unprecedentedly. Daily wage earners didn't have a chance to eat twice daily. The economic activities of middle lower class people almost stopped. Big hit to them. And the best part is they were innocent, they didn't have black money. But they had suffering. The demonetization decision of Mr Prime Minister, according to me, failed big time. A lot of people didn't require cash banks were unable to provide them. And the fun part is that there wasn't scarcity of new notes, but they weren't available to common man. Everyone knows crore of new currency notes were caught, many times at many places. Very few people had access to unlimited new notes and they were doing business, trading them for old notes at some commission rates. So this cash crisis brought suffering to a lot of people, and not what Mr Prime Minister said it will do.

S Raj: The argument posited in favour of demonetization, therefore it is imperative to evaluate the short run and medium-term impacts that such a shock is expected to have on the economy. This paper elucidates the impact of such a move on the availability of credit, spending, and level of activity and government finances. The Government of India announced that the Rs. 500 and Rs. 1000 denominated currency notes will cease to be legal tender. The move was targeted towards tackling black money, corruption and terrorism. Declaration of 86 percent of currency notes as illegal tender in just a blink of time on eve of 8th November 2016 mandated the creation of immediate interruption in daily lives. The chaos was created in every strata of the society whether upper, middle or lower. This paper aimed at reviewing the general implications of demonetization on the people of India

Arpit Guru and shruti kahanijowand: As indicated by researcher paper composed by Arpit Guru and Shruti Kahanijowand the research work done. They have investigated the black money income, they have researched about it and the requirement for amendment in DTAA and ITEA and they have arrived at a conclusion that the nearness of black money in India is available over entire of the nation in immense amount and most of the black money controlled by the general population is being available in the banks arranged in different nations, they have likewise research the reason and effect of black money and how it has irritated our economy and currency and how the general population in our nation utilizes black money in what structures and how they can get it circle in the framework. In the research paper and work done by Sukanta Sarkar 2010 she had played out an examination on the nearness of an alternate economy in the nation or the parallel economy in our nation

.In the research were she had broken-down what are the causes and what were its effects. She had additionally centred on the work done by government and a portion of the imitative taken by the administration in choosing the reason and impact of black money in India. The outcome she discovered after the research work done by him is that the primary factor which is the principle hotspot for the expanding black money in our nation in none other than however our Indian political framework. She arrived at the conclusion that the legislature just barely centre around how might they shape an alternate advisory group as opposed to

how might they execute the current and these new board proficiently so the law and the battle against black money can really be performed bitterly.

Dr Pratap Singh & Virender Singh: "Impact of Demonetization on Indian Economy" India has amongst the highest level of currencies in circulation at 12.1% of GDP. Cash on hand is an estimated at around 3.2% of household assets, higher than investment in equities, or roughly around S 220 billion. Of this cash, 87% is in the form of its 500 and Its 1,000 notes or roughly its 14lakh crore (S190 billion). A significant portion of the household cash on hand is generated by economic transactions that are not reported to tax authorities or generated through corruption. Scrapping the higher denomination money would either result in these being brought into the system or the money just disappearing. The study highlights the probable consequences of this decision on various economic variables and entities. The author concluded that if the money disappears, as some hoarders would not like to be seen with their cash pile, the economy will not benefit. On the other hand if the money finds its way in the economy it could have a meaningful impact. However experiences from different countries shows that the move was one of the series that failed to fix a debt-burdened and inflation-ridden economy.

Rahul Prakash Deodhar: "Black Money and Demonetisation" The Government of India announced that the Rs 500 and Rs. 1000 denominated currency notes will cease to be legal tender. The move was targeted towards tackling black money, corruption and terrorism. After initial euphoria, questions began to emerge. What are the costs of this demonetization? Will it be effective if people can still create new black money thereafter? The author concluded that it is just one move of one piece in the chess board of black money. To check-mate the black money king, you have to win the board. There are various steps required as detailed above. Government can play all these moves and still fail if they play improperly. All we can say is that Government is playing well. But will it succeed? The efforts will bring massive amounts of cash into the banking system — a benefit in itself. Once the money is in the legitimate channels, it should be better utilized and revenue will be generated from its use. If that is success enough then yes.

Data Analysis and Interpretation

Introduction: Survey means going into the depth of the responses and collecting inner expression for the purpose of knowing attitude of the respondents about which the survey is conducted.

The purpose of conducting the survey is the in-depth study of the respondent's perception towards impact of demonetization on Indian economy.

For the purpose of survey questionnaire was prepared and was given to 100 respondents. The entire area covered by the survey is classified into different parts and the respondents were given the format of questionnaire and were requested to fill it and return to us.

The survey has been successfully carried out and the respondents gave good and realistic answers to the questions.

1. Gender

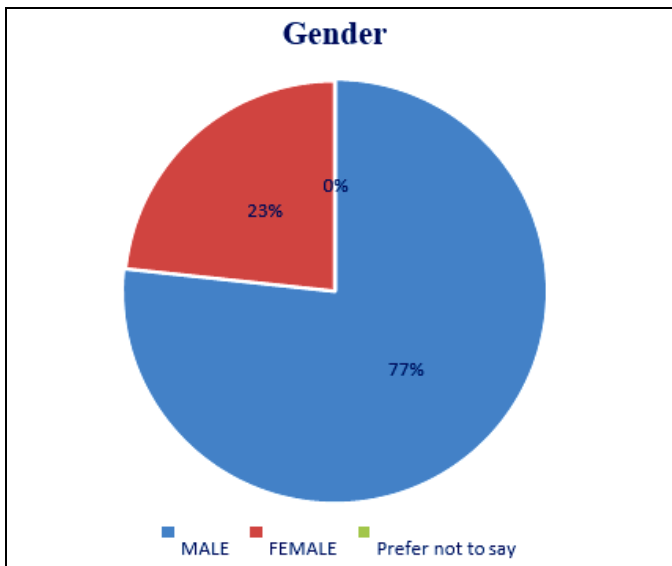


Fig 1: Showing gender of respondent

Table 1:

Gender	Percentage
Male	77
Female	23
Prefer not to say	0
Total	100

Interpretation

The above data shows information about gender of the respondents. As we can see that 77% of respondents are male and 23% of respondents are female. Majority of the respondents are Male.

2. Age

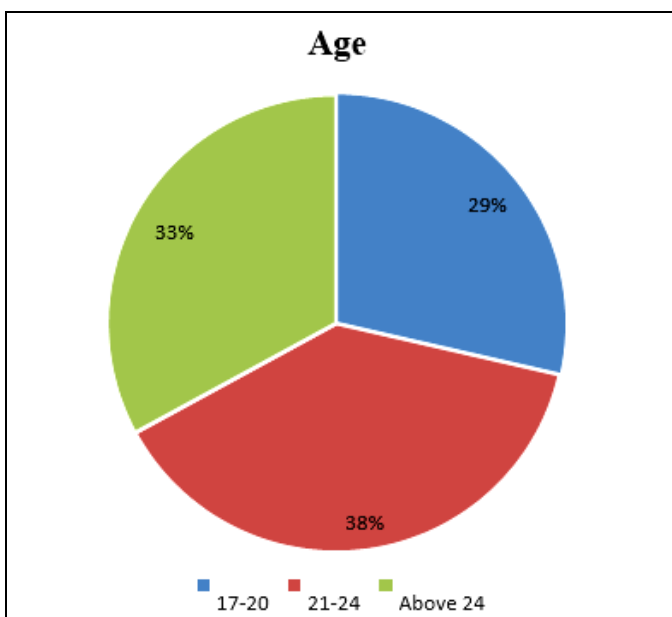


Fig 2: Showing age of respondents

Table 2

Age	Percentage
17-20	29
21-24	38
Above 24	33
Total	100

Interpretation

In the above data we can see that 29% of respondents are between the ages of 17-20. 38% of respondents are between the ages of 21-24. 33% of respondents are above the age of 24.

Majority of the respondents are between the ages of 21-24.

3. Level of Education

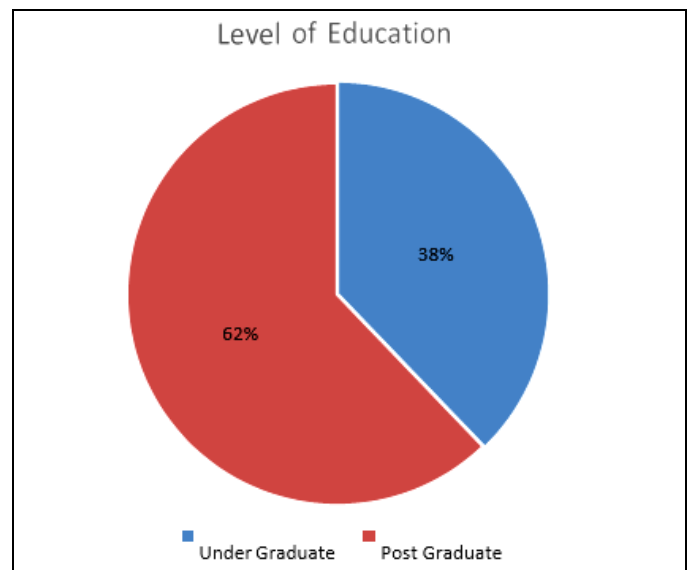


Fig 3: Showing level of education of respondents

Table 3

Level of education	Percentage
Under graduate	38
Post graduate	62
Total	100

Interpretation

In the above data information is about the level of education of the respondents is shown. As we can see 38% of respondents are Under Graduate. Where else 62% of respondents are Post Graduate.

Majority of the respondents are post graduate.

4. What were the problem faced by you when demonetization was announced?

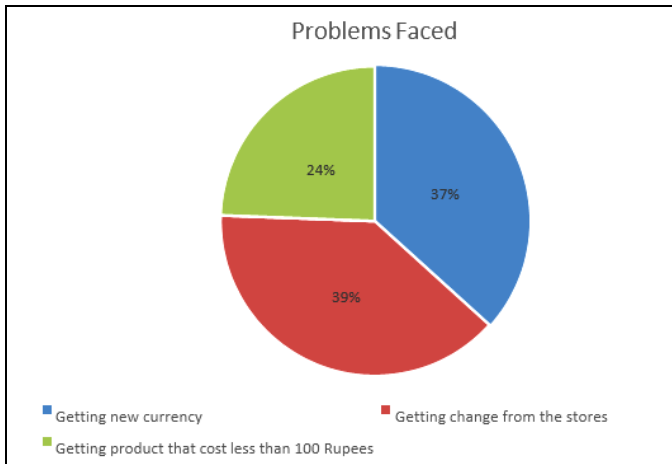


Fig 4: Problems Faced

Table 4:

Problems faced	Percentage
Getting new currency	38
Getting change from the store	38
Getting product that cost less than 100 rupees	24
Total	100

Interpretation

In the above data 38% of respondents faced the problem getting new currency, 38% of respondents faced the problem getting change from the store and on the other hand 24% of respondents faced the problem of getting product that cost less than 100 rupees.

Majority of the respondents both faced the problem of getting new currency and getting change from the store.

5. Were you able to get new currency whenever you went to the bank?

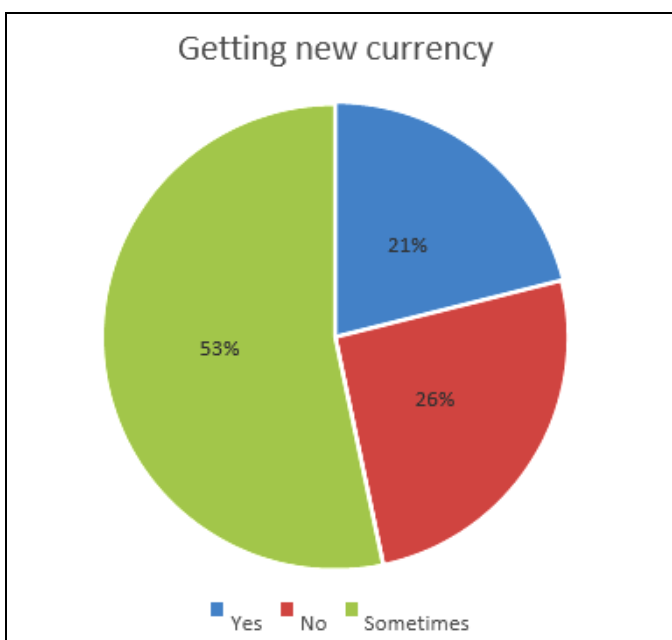


Fig 5: Getting new currency

Table 5

Getting New Currency	Percentage
Yes	21
No	27
Sometimes	52
Total	100

Interpretation

In the above data 21% of respondents were able to get new currency, whereas 27% of respondents were not able to get new currency and 52% of respondents were able to get it sometimes.

Majority of the respondents were able it to get the currency sometimes.

6. Were you able to withdraw cash whenever you went to the ATM?

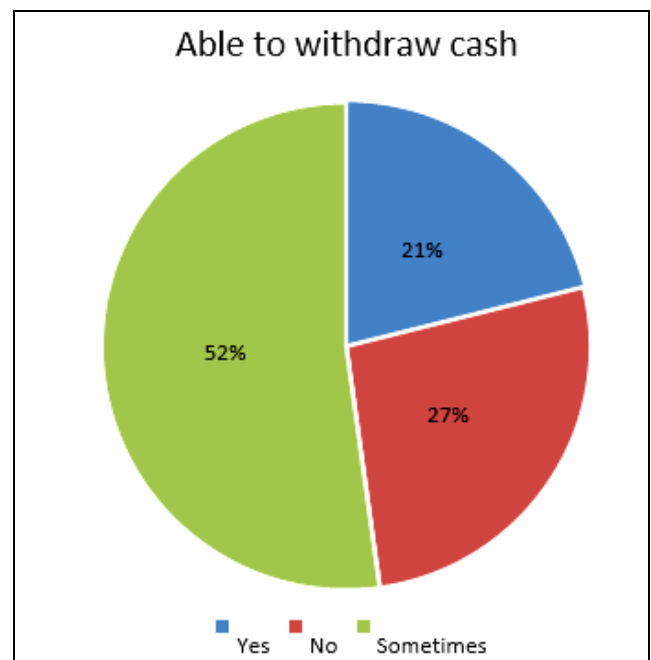


Fig 6: Able to withdraw cash

Table 6

Able to withdraw cash	Percentage
Yes	21
No	28
Sometimes	51
Total	100

Interpretation

In the above data 21% of respondents were able to withdraw cash whereas 28% of respondents could not. 51% of respondents were able to withdraw cash sometimes.

Majority of the respondents were able to withdraw cash sometimes only.

7. How long did you have to stand in the line at the ATM when you went to withdraw cash?

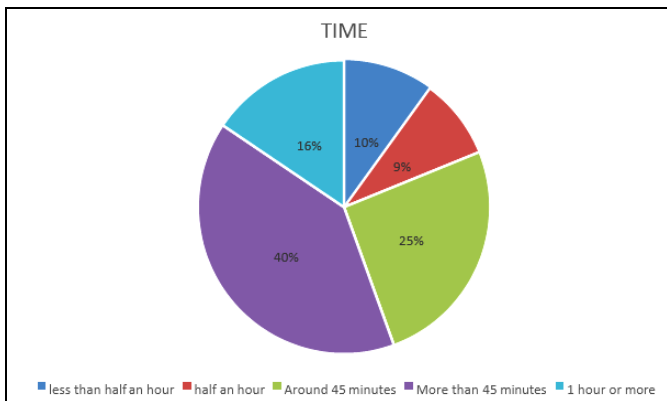


Fig 7: Time

Table 7

Time	Percentage
Less than half an hour	10
Half an hour	9
Around 45 minutes	24
More than 45 minutes	41
1 hour or more	16
Total	100

Interpretation

In the above data 10% of respondents were standing in the line for less than 30 minutes, 9% were standing in the line for 30 minutes. 24% of respondents were standing in the line for around 45 minutes whereas 41% were standing more than 45 minutes. At last 16% of respondents were standing in the line for an hour or more.

Majority of the respondents had to wait for more than 45 minutes in the queue to withdraw cash.

8. How did you feel about moving into digitalisation?

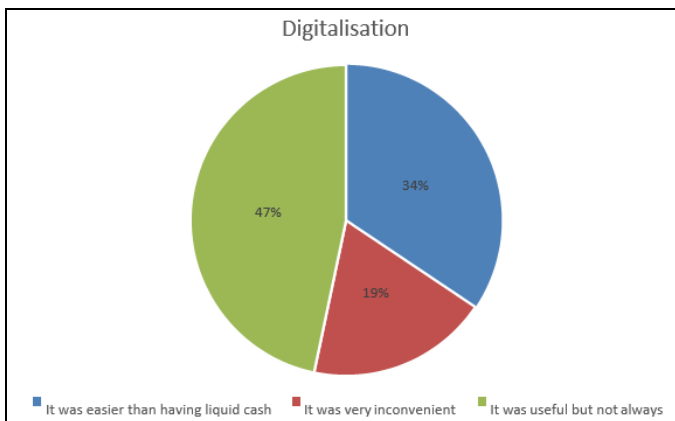


Fig 8: Digitalisation

Table 8

Digitalisation	Percentage
It was easier than having liquid cash	34
It was very inconvenient	19
It was useful but not always	47
Total	100

Interpretation

In the above data 34% of respondents said that it was easier than having liquid cash, 19% of respondents felt very inconvenient and 47% of respondents said it was useful but not always.

Majority of the respondents felt that moving into digitalisation was useful but not always.

9. Did digital payment such as PayTM or credit card always work out for you?

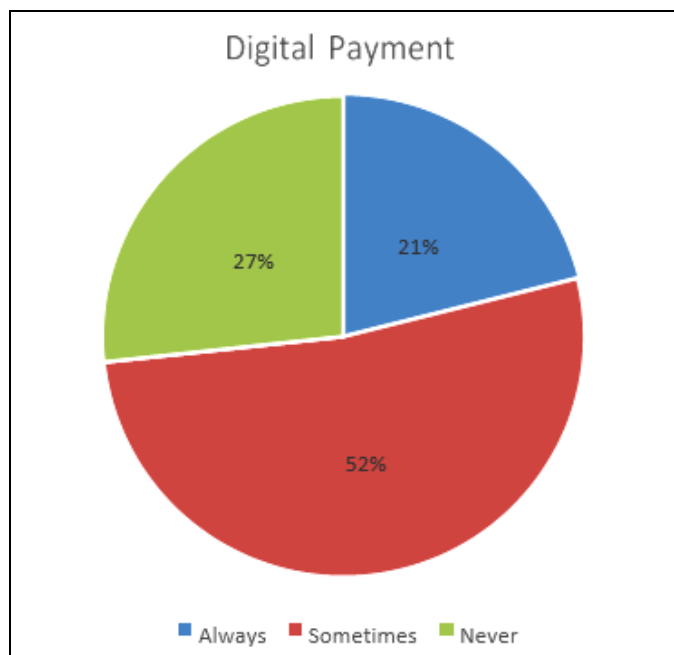


Fig 9: Digital Payment

Table 9

Digital payment	Percentage
Always	21
Sometimes	52
Never	27
Total	100

Interpretation

In the above data 21% of respondents said that digital payment always worked for them whereas 27% of respondents said that digital payment never worked for them. And it was working sometimes for 52% of respondents.

Majority of the respondents said digital payment worked for them sometimes only.

10. Demonetisation makes things easier for you now?

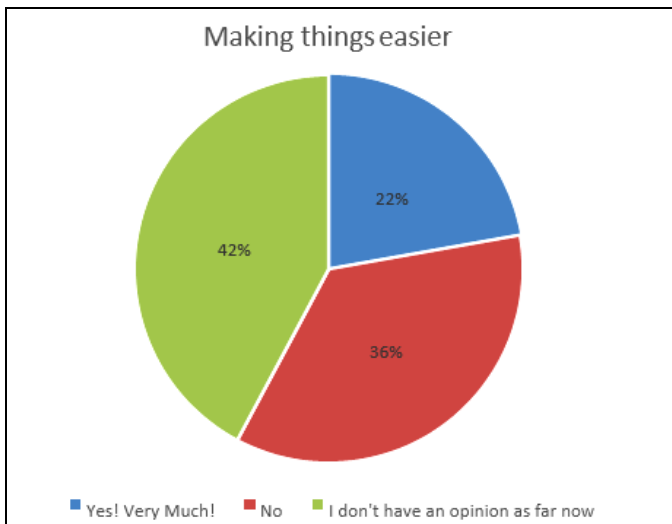


Fig 10: Making things easier

Table 10

Making things easier	Percentage
Yes! Very much!	22
No	36
I don't have an opinion as far now	42
Total	100

Interpretation

In the above data it made things easier for 22% of respondents whereas 36% of respondents said it didn't make it easier. 42% of respondents don't have an opinion.

Majority of the respondents said they don't have an opinion as far now.

11. Do you think that demonetisation has helped reduce corruption?

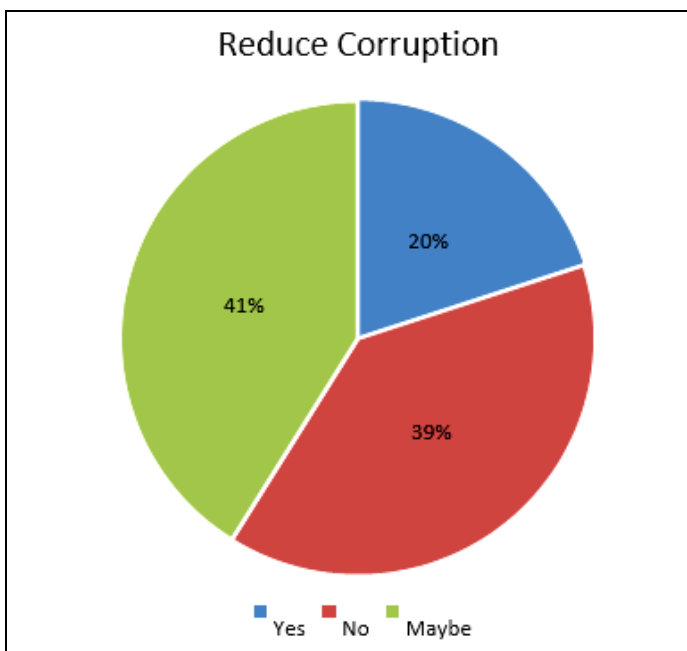


Fig 11: Reduce Corruption

Table 11:

Reduce corruption	Percentage
Yes	20
No	39
Maybe	41
Total	100

Interpretation

In the above data 20% of respondents thought it reduced corruption whereas 39% of respondents didn't think so. 41% of respondents thought it may have reduce corruption.

Majority of the respondents said it might have reduced corruption.

12. Are you satisfied by the way in which banking sector handled demonetisation?

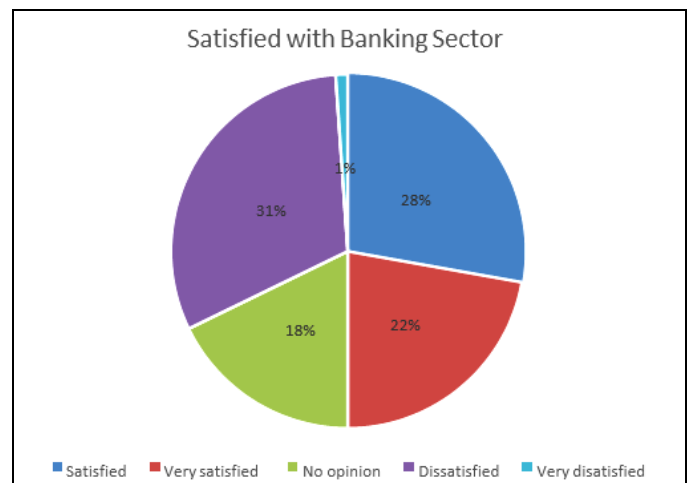


Fig 12: Satisfied with banking sector

Table 12

Satisfied with banking sector	Percentage
Satisfied	28
Very satisfied	22
No opinion	18
Dissatisfied	31
Very dissatisfied	1
Total	100

Interpretation

In the above data 28% of respondents were satisfied, 22% were not satisfied, 18% didn't had an opinion And 31% were Dissatisfied, where as 1% was very Dissatisfied.

Majority of the respondents said were dissatisfied by the way banking sector handled demonetization.

13. Do you feel that demonetisation has helped curb black money?

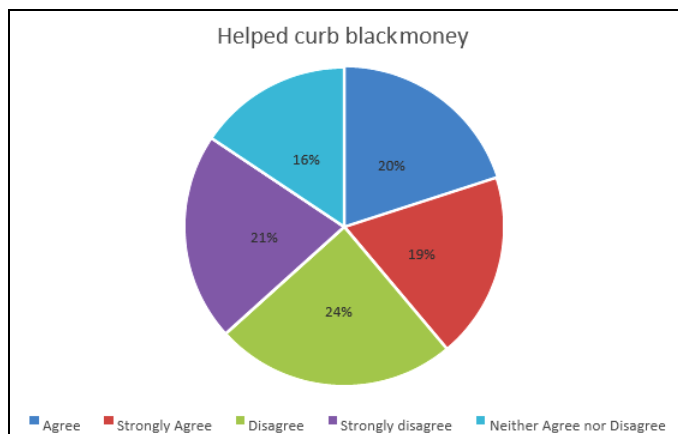


Fig 13: Helped curb black money

Table 13

Helped curb black money	Percentage
Agree	20
Strongly agree	19
Disagree	24
Strongly disagree	21
Neither agree nor disagree	16
Total	100

Interpretation

In the above Data 20% of respondents agreed, 19% of respondents Strongly Agreed, 24% of respondents did not agree, 24% of respondents Strongly disagreed, where as 16% of respondents neither agreed nor disagreed. Majority of the respondents said they disagree that demonetization has helped curb black money.

14. Is it a good idea to encourage Digital Transaction?

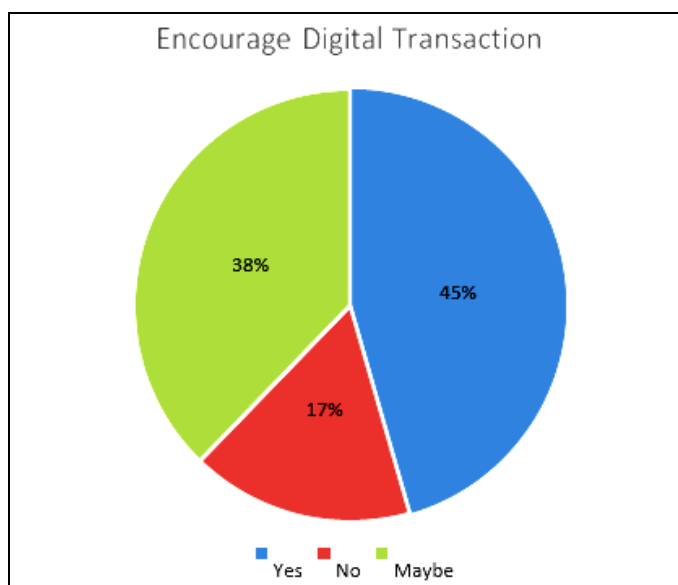


Fig 14: Encourage Digital Transaction

Table 14

Encourage digital transaction	Percentage
Yes	46
No	17
Maybe	38
Total	100

Interpretation

In the above data 46% of respondents said it encouraged digital transaction, 17% said it didn't encouraged digital transaction where as 38% said it might have encouraged digital transaction. Majority of the respondents said it is a good idea to encourage digital transaction.

15. Areas affected the most by demonetisation?

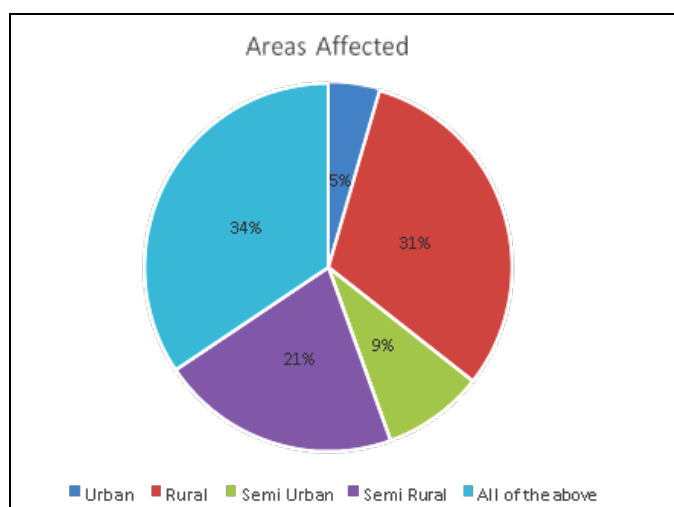


Fig 15: Areas Affected

Table 15

Areas affected	Percentage
Urban	5
Rural	31
Semi urban	9
Semi-rural	21
All of the above	34
Total	100

Interpretation

In the above data 5% said it affected urban areas, 31% said Rural area, 9% said semi urban area, 21% of respondents said it affected semi-rural area, where as 34% of respondents said All of the above areas were affected. Majority of the respondents said every areas where affected during demonetization.

5. Findings

- i). 77% of respondents were male and 23% were female.
- ii). 29% of respondents were between the ages of 17-20, 39% were between 21-24, and 32% were above 24.
- iii). 38% of the respondents were under graduate where as 62% were post graduate.

- iv). 37% of respondents faced the problem of getting new currency, 39% faced the problem of getting change from the store. where as 24% faced the problem of purchasing the product that cost less than 100 rupees.
- v). 21% of respondents were able to get new currency, 26% did not get the new currency, and where as 53% got it sometimes.
- vi). 21% of respondents were able to withdraw cash from the atm, 27% were not able to withdraw and 52% of people were able to withdraw cash sometimes only.
- vii). 10% of respondents waited in a line for less than 30 minutes, 9% waited for more than 30 minutes, 26% waited around 45 minutes, 40% waited for more than 45 minutes, where as 16% waited for more than an hour.
- viii). 34% of respondents felt that it was than having liquid cash, 19% felt moving into digitalization was very inconvenient, and 47% felt that it was useful but not always.
- ix). 21% of respondents said their digital payment always worked, where as 27% said it didn't work. and 52% said it sometimes worked.
- x). 22% of respondents said demonetization made easier things for them, where as 36% said it didn't and 42% did not had an opinion as far now.
- xi). 20% of respondents said demonetization has helped reduce corruption, 39% said it did not reduce corruption, where as 41% said it may have reduce corruption.
- xii). 28% of respondents were satisfied by the way banking sector handled demonitization, 22% were not satisfied, 18% didn't had an opinion, 31% were dissatisfied and 1% was very dissatisfied by the way banking sector handled demonitization.
- xiii). 20% of people agreed that demonetization has helped curb black money, 19% strongly agreed, 24% disagreed, 21% strongly disagreed, 16% of people neither agreed nor disagreed.
- xiv). 46% said it is a good idea to encourage digital transaction, 17% said no it is not a good idea to encourage digital transaction, 38% said it may be a good idea to encourage digital transaction.
- xv). 5% of respondents said urban areas were affected, 31% said rural areas were affected, 9% said semi urban areas were affected, 21% said semi-rural areas were affected, 34% of people every area was affected.

6. Suggestions

- i). Among the recommendations are that the allowance given to Government hospitals and healthcare providers of accepting old high denomination notes should be extended to private healthcare providers. Mobile banking vans should also be set up by banks at private hospitals. The industry members have suggested that banking hours be extended on working days and a massive drive should be launched to educate people on use of digital means for payments across the country.
- ii). "RBI should consider bringing down the interest rates that could help stabilise the demand in the economy. An immediate 50 basis points cut in repo rate should be considered by RBI's monetary policy committee as well as some measures may be introduced to provide easy finance for sectors like housing, automobiles and consumer durables. "There should be a reduction in direct taxes and widening of income tax brackets and the upcoming budget is being keenly looked at from this perspective", the members suggested.
- iii). Moreover, immediate measures to be taken so that forex dealers have enough liquidity to meet the requirements of foreign visitors and the limit of Rs 5,000 for exchange by visiting foreigners should be reviewed to reduce the inconvenience being caused to them.
- iv). Other suggestions call for RBI to issue guidelines to banks to raise the overdraft limits of current accounts (currently Rs 50,000) to help businesses tide over the currency shortage.
- v). Besides, Government should consider leveraging the greater network of systematically important NBFCs in rural markets to withdraw the demonetised currency with KYC documents, for pre-existing loans of duly registered farm equipment loans.
- vi). The industry members have also suggested lifting the cap on cash withdrawal for micro finance institutions and leveraging the MFI network for withdrawal of the demonetised currency and issue of fresh currency in the sector.
- vii). However, the industry feels that the demonetisation is a positive measure which will have a major impact in reducing the parallel economy and moving the informal economy into the main stream.
- viii). "This would result in larger revenues to the exchequer, consequently increased public spending, which would boost the economy. This would also lead to increased bank deposits, lower borrowing rates giving a boost to investments and further strengthening the economic development of our country,"
- ix). Further, risk rating of India will improve that will have a positive impact on foreign direct investment in key sectors.
- x). Educate everyone about the use of e-wallet and Debit & Credit Cards. Proper classes about the use of e-wallet and cards should be taken at each & every office, organization, companies etc. whether private or government. Camps can be held at village levels & city levels at each & every corners. Social workers, panchayat members, municipal corporation members & staff should come forward in explaining the use of digital media for buying commodities in the market.
- xi). Give every businessman, who has current account with banks, swipe machine at the earliest possible.
- xii). Tragedy is many bank branches still do not provide the facility of giving swipe machines to its clients. Immediate steps to be taken by the concerned authorities to equip banks with these machines so that it can be distributed to the traders. Also, proper training should be given to traders about its use.
- xiii). Undertake research to monitor, analyse and assess the short and medium-term ongoing impact of demonetisation on the Indian economy, with research to be focused both of specific sub-sectors of the economy and on different regions of the country.
- xiv). Undertake research specifically to assess the ongoing impact of demonetization on micro, small and medium enterprises.
- xv). Undertake research to consider the impact of the demonetisation programme on attitudes towards, confidence in, and support for, government and government policies among key sectors of business and civil society.
- xvi). Undertake research on the short and medium-term impacts of demonetisation on specific areas of corruption associated with cash transactions.

- xvii). Undertake research on potential amendments of banking and taxation laws to encourage enhanced use of digital finance.
- xviii). Undertake research on the broader issue of government policy on challenging corruption and bribery, in order to review the strategic framework and to identify the activities that should be undertaken to build on, complement and extend the demonetisation programme.
- xix). Undertake research on the practices and the functioning of the shadow economy. Such investigation can optimally be done through case studies, undertaken to gain a better understanding into precisely what is being challenged or combated.
- xx). Undertake research to assess and determine the costs and risks of proposing such radical measures as demonetisation, in advance of their implementation, particularly with a view to regulating negative externalities.
- xxi). Conclusion: Demonetization in India had wide-ranging implications across economic, social, and political dimensions. While the policy aimed to achieve several important objectives, its overall impact was mixed, and the outcomes were multifaceted.

Conclusion

In conclusion, demonetization in India had complex and multifaceted effects on the economy, society, and politics. While it did drive certain positive changes such as increased digital adoption and formalization of the economy, the short-term disruptions and limitations in achieving some of its key objectives indicate the need for a more nuanced and targeted approach to address the issues it aimed to tackle. Further research and policy evaluation are essential to fully understand the long-term consequences of this significant policy measure on the Indian economy.

References

1. Dr Pratap Singh & Virender Singh, "Impact of Demonetization on Indian economy."
2. Rahul Prakash Deodhar, "Black money and Demonetization".
3. K.Sethi, R Nasreen, Matloobullah Khan, "Impact of Demonetization on the financial performance of the micro finance institution (MFIs)."
4. Swati Chauhan and Nikhil kaushik, "Impact of Demonetization on Indian economy."
5. S raj "Impact on the availability of credit, spending and level of activity and government finances."
6. Dr Mohd Taqi "Impact of Demonetization on Indian capital market with special reference to selected indices of Bombay stock exchange (BSE)."
7. www.researchgate.net
8. www.m.economictimes.com
9. www.bloombergquint.com
10. www.yothkiawaaz.com
11. www.mbauniverse.com
12. www.businessstandard.com
13. www.isec.ac.in