

Demonetization and its impact

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Abstract: *The present study focuses on demonetization and its impact. In fact the most burning problem in corruption in the present society and most neglected rural population and common man also. In the world focus the anti-corruption in general and in the country in particular. As per the 1946, 1978 & 2016 demonetization decision influences the below poverty line. The common man follows many simple occupations based on simple technology. Most of the occupations fall into the primary occupations such as hunting, gathering, and agriculture. It is most helpful to the society. The people suffered a lot with suddenly taken decision on Demonetization by the Indian Government, entire country. Day by day many changes are taking place in Globalization. But there is no change in the mindset of the corrupted peoples. As a result, the social & Economical problems continue in common man life. So, many issues arise in the common man life. Mainly common men are not aware of economic issues and life leading. Even today the central government established and amended many reforms for anti-corruption. But they do not reach the actual aim. Indian society is highly stratified, with many glaring inequalities among different social & Economic groups. The worst positioned among them are the individual values Economic status. The demonetization decision has segregated in government policy from the society. In the way of Demonetization to such an extent that they were denied even the basic human rights that one must enjoy in order to ensure one's bare assistance the negative influence of Demonetization. The central government to take demonetization decision has created and sustained economic conditions in our country. The black money influences an unequal opportunity structure, which is mandatory for the Economic principles, which are the basis of a modern democratic Economic society. What is worse, it intensifies and perpetuates the sufferings and servitude of disadvantage corrupted peoples. Even, after the five decades of planned economic development, still the unaccounted money (Black money) is continuing and all the rhetoric of the socialistic pattern of society, the economic status of these communities is pathetic. In the end ultimately this demonetization has major role in controlling corruption and sectorial impact of the Indian Economy. The analysis of resources, wealth, power, position, privileges, higher status, authority, education, employment, services, land and labor got benefitted by the rich communities. For the developing countries like India Demonetization is very useful reform but we never expect the fruits in short time it gives it's useful results in long time.*

Introduction

The currency plays vital role in the lives of human beings and commonly drills all things in and around human life. At first demonetization refers to as discontinuing or stopping or banning of current currency units and replacing those currency units with new currency units. It is a major decision and its impacts all the citizens of the country because overnight all the money you have become a piece of paper which has no value if you do not exchange it. With new currency units or deposit it in the banks. We have example of our country India when

the government scraped Rs.500/- and Rs.1000/- notes and declared to introduce new notes of Rs.500/- and Rs.2000/.

As per “ Investopedia” a demonetization an act of removing the legal status of currency as “ legal tender”. Means old notes or even coins must be retired and replaced with new ones or completely new currency can be introduced like Rs.2000/- notes which was not available earlier.

Demonetization mainly impact on Agriculture and Rural Marketing.

Demonetization its impact Retail trades, Financial Literacy, Economic Growth, Wage earners, Foreign trade, Banking sector, and its fiscal effects.

Definition:

Demonetization is that act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency, The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.

Method: This study was descriptive study. So use the Observation method to gather all news clippings related to the demonetization.

Main objects:

- Anti- corruption
- Make cash money
- Short cash
- Short bank
- To curb black money, terror funding and stop the use of fake currency available in the market.
- To study the impact on controlling corruption.
- To study the impact on banking sector, retail market, SMEs etc.
- To examine the impact on fiscal sector.
- To discuss the impact on demonetization to unearth black money.

- To highlight the sectorial impact of the Indian Economy.

For favor of of demonetization: Demonetization helps the government to track and punish people who are having larger amount of unaccounted cash on which no income tax has been paid because many people who earn black money keep that money as cash in their houses or in some secret place which is very difficult to find and when demonetization is declared by government all that cash become useless and they have no value in the market, such people have two options First is deposited the money in bank accounts and pay taxes on such amount and Second option is to let the value of that cash reduced to zero and continue the money to become useless.

Black money used for illegal activities like terrorism funding, gambling, money laundering and also inflating the price of major assets classes like real estate, gold, and due to demonetization all such activities will get reduced for some times and also it will take years. For people to generate that amount of black money again and hence in a way it helps in putting an end this circle of people doing illegal activities to earn black money to do more illegal activities.

On 8th November: PM Modi's announcement was breaking news across India. Rs. 500 and Rs.1000 notes (currency) are made illegal from a stroke of midnight. One might think, why it's been done? Indian government goal was to remove all counterfeit (fake) currency from the market which is used currency in the Indian market, it has 86% share in the market. This was a very big and risky decision and as some aptly said it is a "Masterstroke". Some even say it is a "surgical attack" on black money. In simple words, old Rs.500 and Rs.1000

notes are worthless now, they are just a piece of paper.

The opposite of demonetization is remonetisation, which means is restoring the demonetized. Currency as legal tender and lot of political parties from the opposition are fighting for it.

Another advantages in that due to people disclosing their income by depositing money in their bank accounts. Government get a good amount of tax revenue which can be used by the government towards the betterment of society by providing good infrastructure, hospitals, educational institutions, roads and many facilities for poor and needy sections of society in this way demonetization plays an important role in removing the corruption in a very good way.

Against the motion demonetization:

The biggest disadvantage of demonetization is that once people in the country gets to know about it than initially for few days there is chaos and frenzy among public as everybody wants to get rid of demonetization notes which in turn some times can lead to law and order problem and chaotic situation especially in banks and ATMs which are the only medium to change the old currency units to new currency units,

Second disadvantage is that destruction of old currency units and printing of new currency new units involve costs which has to be borne by the government and if the costs are higher than benefits then there is no use of demonetization.

Third problem is that majority of times this move is targeted towards black money but if people have not kept cash as their black money and rotated or used that money in other asset classes like real

estate, gold and so on then there is no guarantee that demonetization will help in catching people.

Recently the Indian Government decided to demonetize the biggest denomination notes i.e. 500 & 1000 Rupees notes, this step has been declared as a master stroke for the Indian Economy by various experts. This is not the first time that India has demonetized its currency, earlier it was done in 1946 and 16th Jan, 1978. Rs 1000, Rs 5000 and Rs 10000. Notes to deal with the un-accounted money i.e. black money.

This step is considered as the biggest cleanliness drive against the black money in the history of Indian economy. This parallel economy helps in terror financing which in turn hampers the growth and development of country. Currently high values notes account for 86% of the notes in circulation in India. It is expected that this step will help in reducing the facial defect of India and promote the cashless economy which can be easily monitored.

There are many cons of demonetization also, for instant, it creates panic among the common man. Local traders and shopkeepers are facing problem.

Demonetization though appears to be very simple decision related to monetary policy but this sudden decision to with draw the higher denomination notes from the market will have multifold affect on all the segments of the economy and all sections of the people.

When PM Modi announced that Rs with the denomination of 500/- and 1000/- would cease to be the legal tender from 9th of Nov. the whole country was stunned. This decision caused sensation in the whole country. Social Media was flooded with messages and information people started counting the trash they had accumulated for years legally or illegally.

Rumors became rife. Some tried to invest their dying currency in gold. Some contacted their near and dear ones in this miserable hour. People could get only Rs 4000/- of old denomination exchanged with the new one. Big queues before the banks and ATMs became the order of the day.

Instead of getting shorter, these queues were getting longer with every passing day. The last date for the whole process was 30th of December, 2016. The persons could deposited the old cash worth Rs 2.5 lac till the said date.

The main objective of this corruption and fake money menace. All people but those who were indulged in malpractices welcomed the move. Three whole opposition shook hand against this move under one pretence or the other. They called this decision a draconian law and wanted the government to roll back it. Trades were made carried out counter attacks.

The new currency which replaced the old one is of denomination of 500/- and 2000/- . though the people faced a lot of inconvenience owing to shortage of funds, they did not criticize the government for the move. Even they lauded the Modi government for this big move. Prime Minister also addressed the people many times telling the people that it was a Mahayajna and they must offer their own Ahuti.

He further said he was aware the hardships they were suffering from but he sought right. He jibed at the chief political leaders who have stashed big amount of money and therefore joined hands to force government to rollback its decision. The most interesting thing regarding the demonetization was that people had devised various unique methods for transforming their black money in to white one.

Some these methods were as follows:-

- Depositing money in the account of their poor relatives and friends.
- Enticing the people with some percentage of money for exchange.
- Asking their employees to stand in the long queues in front of banks and ATMs for getting money exchanged.
- Hiring labors for some Rupees ranging from Rs 500/- to 700/- for becoming the part of long queues in front of banks and ATMs.
- Converting black money in to gold.
- Paying back loans forcibly.
- Using their influence/ links with bank employees and so on.

We shall see a great impact of this move of the central government on Indian society and economy.

The first impact shall be that people will have lower expenditure power. With that they will not be able to purchase luxurious things.

There shall be no ostentatious expenditures on marriages and other ceremonies. So the society will grow lesser materialistic and people more prudent. With the fake money destroyed, Indian economy will see big boom and the so-far-booming-real-estate-sector shall fall on the ground.

The things may be cheaper. Indian currency may respect at the international market. There may be great check on the terror-related funding and therefore on terrorist activities. Corruption shall be down to a great extent as people will stop the tendency of accumulating money using wrong means.

This big move will certainly a bridge the gap between the haves and have notes. However, there may be some difficulties for a couple of months but this inconvenient shall be temporary and for short-term.

Impact of demonetization with in India and foreign Relation:

Demonetization has big impact on Indian market and citizens like you and me. People flocked the banks to changed their currency and stood in long lines in front of banks and and ATM's for hours to draw their money. Surely, we have problems in but we also need to understand the importance of it just imagine if it was told a month ago, then all black money launderers could have managed their money in this or that from, that's why it has to be a sudden and surprise act.

Findings:

- Demonetization most useful the common men.
- There may be great check on the terror-related funding and therefore on terrorist activities.
- Corruption shall be down to a great extent as people will stop the tendency wrong means.
- This move can be struggle for implementation for common people.
- Rich peoples master stroke this government decision.
- Few months struggle for money transaction for all bank system.
- Find out the corrupted people very easy.
- Indian economy stable and standard,

- Indian currency most respect to international market.

- Now the Indian economy strengthen.

Conclusion:

To sum up everything, I would say: demonetization was a really a master stroke. It will help in fighting against corruption, black money, and tax evasion. I as Indian stand strongly behind this move. Though all good sad about this, I think the way it was planned and handled could have been better. Otherwise I support the demonetization.