

Project Report

“A STUDY OF IMPACT OF DEMONETIZAION ON INDIAN ECONOMY”

Submitted to

Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted by

NIYATI RAJKUMAR MISHRA

Under the Guidance of

Prof. KAMLESH THOTE

G.S. College Of Commerce & Economics, Nagpur

Academic Year 2019 – 20



G.S. College Of Commerce & Economics, Nagpur

Academic Year 2019 – 20



CERTIFICATE

This is to certify that “**NIYATI RAJKUMAR MISHRA**” has submitted the project report titled “**A STUDY OF IMPACT OF DEMONETIZAION ON INDIAN ECONOMY**”, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Prof. Kamlesh Thote
(Project Guide)

Dr. Ashwini Purohit
(Co-ordinator)

Place: NAGPUR

Date:

G.S. College Of Commerce & Economics , Nagpur

Academic Year 2019 – 20



DECLARATION

I here-by declare that the project with title “A STUDY OF IMPACT OF DEMONETIZAION ON INDIAN ECONOMY” has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

NIYATI RAJKUMAR MISHRA

Place:

Date:



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I would like to thank all those who helped me in making this project complete and successful.

NIYATI RAJKUMAR MISHRA

Place:

Date:

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ABSTRACT

ABSTRACT

The government has implemented a major change in the economic environment by demonetizing the high value of currency notes-of Rs.500 and Rs.1,000. India has carried out demonetization earlier two times, i.e. first was on 12 January 1946 (Saturday)and second one was on 16 January 1978 (Monday) under Morarji Desai Government. This is the third time demonetization happen in India i.e. on 8th November 2016 (Tuesday). So like this in India demonetization has occurred three times. On this ground government announced that INR 500 and INR 1,000 notes will cease to be legal tender effective immediately. People have been given a time up to 30th December, 2016 to exchange the notes which are held by them. The purpose of this study is to compare and analyze the impact of demonetization and their significance in the economic development of India by comparing with others countries. The demonetization move has been taken in view to club black money, corruption and issues like circulation of fake currency and terror funding. Here I am going to discuss the reason of it as well as its necessity to implement in India. I would also like to focus on how the tool of demonetization can be used to eradicated parallel economy. This is one of the biggest steps initiated by government in addressing the various issue like black money, circulation of fake currency, corruption, terrorism etc.

Keywords: Demonetization, Indian Economy, Black money, Corruption.

INTRODUCTION

Introduction

On the evening of 8th November 2016, Indian Prime Minister Mr. Narendra Modi announced a sudden demonetization of Rs. 500 and Rs 1,000 notes. Instead of RBI Governor Urjit Patel, surprisingly 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 exchange till 31st December 2016. There were set an upper limit of cash withdrawals from bank is Rs. 10,000 per day (up to Rs. 20,000 per week) per account and from ATM Rs. 2,000 per day per account from 10 to 13 November which is changed from 14 November to Rs. 24,000 per week from bank and Rs.2,500 per day from ATM per account till 31st December, although a needy person can withdraw with valid reason.

As much as 99.3% of the junked Rs. 500 and Rs 1,000 notes have returned to the banking system, the RBI said today, indicating that just a miniscule percentage of currency was left out the system after the government's unprecedented note ban aimed at curbing black money and corruption. The Reserve Bank Of Indian (RBI), which has taken an awfully long time to count the currency that was returned in the limited period window provided by the government to exchange or deposit the demonetized currency, said in its Annual Report for 2017-18 that the exercise is finally over of the Rs. 15.41 lakh crore worth Rs.500 and Rs.1,000 notes in circulation on November 8,2016, when the note ban was announced, notes worth Rs 15.31 lakh crore have been returned. This meant just Rs 10,720 crore of the junked currency did not return to the banking system. The objective of demonetization are to make circulation of black money with terrorist and maxillae, fake currency from economy and to make circulation of black money in economy. By demonetization government initiated its first step towards the eradication of black money and to bring transparency in an economy. This was the time when every Indian was a part of the queue ether to deposit the money in their respective bank accounts or for the withdrawal of money form ATMs. By this act of the government there seems to be many benefits to the Indian economy holders as their will be no use of those money which is with the terrorist, black money holders and

corrupted politicians. Government had earned the trust of every common man who is suffering from this black money effects. Demonetization means withdrawal of a particular form of currency from circulation. (Business dictionary, 2017) Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. (Investopedia, 2017)

Demonetization can also be referred to as the process of moving people from a cash based system to a cashless system (digital system). (ImportantIndia.com, 2017) . The cashless system (digital system) can be achieved with the help of technologies like electronic and mobile payments methods. The managements of process demonetization is very important. If it managed well it can be beneficial in terms of economically as well as socially, like it can reduce inflation, improve the economy, and result in financial behavior change among citizens. However, if not managed well, it may caused a lot of economic trouble to the people.

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 economics student.

The aim of this study is to study the previous instances of demonetization round the world. In these cases, what were the aims of the countries and what happened to them next, is also collected in the study to understand the possible outcomes of our demonetization to reduce the negative and to maximize the positive ones by learning from the good decisions taken by the various countries as well as by the mistakes made by them. This study also takes the views of many other authors and collects them to make a perspective about the possible effects of the demonetization, explanation of them according part of this paper is the one where broker's fee concept is used to explain the behavior of people at the time if demonetization, and the effect of it further on savings and investment. This study would help in

understanding the cost benefit analysis of demonetization in India. This study would also help in finding out the sectors that are affected due to demonetization and appropriate actions could be taken by the government by modifying the policies accordingly.

PROCESS OF DEMONETIZATION:

Although there have been no official government announcements, analysis and experts have said that the [process of demonetization probably started 10 – 8 months prior to the announcement of demonetization; i.e. early January or March 2016. This process included the printing of notes, the alteration of ATM machines to process the new currency, information given to key people so that a smooth transition could be affected, etc. Since all of the Mahatma Gandhi New Series carry the signature of Urjit Patel, we can conclude that process of printing the new note was probably started after September 2016 when Urjit Patel had taken over.

During the time of the start of the process, Raghuram Rajan was the governor of the RBI, however, all the notes of the mahatma Gandhi new series bear the signature of Urjit Patel, who took over in September 2016. Whether this is due to Rajan's strong opposition to demonetization in general or because of good organisation by the government is a matter of debate. Another aspect this brings up is that the initial phases of the process of demonetization may have been carried out without the knowledge of Rajan due to his staunch opposition to demonetization. If this is indeed true, it make sense that all notes of Mahatma Gandhi new series bear Urjit Patel's signature rather than that of Raghuram Rajan. (Check whether unconstitutional)

When demonetization was announced, Rs.15.44 lakh crore worth of notes stopped being legal tender. However only Rs.1.36 lakh crore had been issue by 18 November 2016. This resulted in the cash shortage and long queues that comes to most Indian's mind when we think of the 2016 demonetization.

The entire process of demonetization was kept a closely guarded secret. Information was given to the people involved in the process only on a need to know basis. Due to this only around 10 people had the big picture. This level of security and secrecy ensured in extremely few leaks and even those were swept under the mat. The notable exceptions to this include news report in the Hindi Daily, Dainik Jagran which mention that new Rs.2,000 and Rs.5,000 notes would be introduced along with old Rs.1,000 and Rs.500 notes being banned; the chairman of the SBI had also mentioned publicly in April 2016 about the possibility demonetization.

THE FIRST CURRENCY BAN IN 1946

In 1934, Rs.500 and RS.1000 notes were introduced and after four years in 1938, Rs.10,000 Notes were introduced. In 1946, the currency note of Rs.1000 and Rs.10,000 were removed from circulation (both the notes were reintroduced in 1954 with an additional introduction of Rs.5,000 currency.) The ban really did not have much impact, as the currency of such higher demonetization was not accessible to the common people. By the end of 1947, out of a total issue of Rs.143.97 crores of the high demonetization notes, notes of the value of Rs.134.9 crores were exchanged. Thus, notes worth only Rs.9.07 crores were probably 'Demonetized'. There was no fool-proof administrative method by which a particular note brought by an individual could be proved as the life-savings of the hard-working man who presented it or established as the sordid gains of a black market. Another loophole was the exemption of the princely state from scrutiny or questioning when such notes were presented by them. Hence, it was more "conversion", at varying rates of profits and losses than "Demonetization".

THE SECOND BAN IN 1978

In the early 1970s, the Wanchoo committee, a direct tax inquiry committee set up by the planning commission of India, suggested demonetization as a measure to unearth and counter the spread of black money. The Prime Minister of India, Morarji Desai announced the currency ban in 1978 by taking Rs.1000, Rs.5000, and Rs.10000 out of circulation, which was 1.7% of total notes in circulation i.e., Rs.1.46 billion accounting for about 0.1% of GDP (Hari,2017). The sole aim of the

ban was to curb black money generation in the country. However, the public nature of the recommendation sparked black money hoarders to act fast and rid themselves of high demonetization before the government was able to clamp down on them.

Similarities In 1978 And 2016 Ban

- The note ban by Morarji Desai and Narendra Modi aimed to drive away black money out of circulation in the economy. Hence, The high Demonetization Bank Notes (Demonetization) Act, 1978 was implemented.
- Narendra Modi announced the currency ban in an address that was broadcast across all news channels. Similarly, Desai announced the ban over the radio after which the banks were closed the following day.
- Both the affairs were kept confidential.

Differences In The Currency Ban

- Unlike Modi, Desai didn't have the backing of the RBI Governor. The Governor I.G.Patel believed that the ban was implemented simply to immobilize the fund of the opposition party. Patel also believed that people never store black money in the form of currency for too long.
- The 1978 currency ban affected only the privileged few, while the 2016 ban had shaken the whole country.

Demonetization In Other Countries

The measure of demonetization is not a new concept for the world. The French were the first to use the word Demonetize, in the years between 1850-1855. There were other nations that tried demonetization in the past. Table 1.1 gives the details of demonetization efforts by the countries around the world.

Sr.No	Country	Year Of Demonetization	Reason For Demonetization
1	Nigeria	1984	To curb black money
2	Ghana	1982	To tackle tax evasion

3	Zimbabwe	2015	To solve the problem of hyperinflation and to stabilize the economy
4	North Korea	2010	To banish the black money
5	Soviet Union	1991	To end black money
6	Australia	1996	To stop counterfeiting
7	Myanmar	1987	To curb black money

Table 1.1

Reasons For 2016 Demonetization In India

Deodhar (2016) in his article “Black Money and Demonetization” highlighted that the demonetization of Rs.500 and Rs.1000 by the government was targeted towards tackling black money, corruption and terrorism. With a view to curb financing of terrorism through the proceed of Fake Indian Currency Notes(FICN) and use of such funds for subversive activities such as espionage, smuggling of arms, drugs and other contrabands into India, it was decided to cancel the legal tender character of the high Demonetization bank notes. Fake Indian Currency Notes (FICN) in circulation in high demonetization was comparatively larger as compared as to those in other demonetizations. Use of high demonetization notes for storage of unaccounted wealth has been evident from cash recoveries made by law enforcement agencies from time to time. These notes are known to facilitate generation of black money. In this connection, it may be noted that while the total number of bank noted in circulation rose by 40% between 2011 and 2016, the increase in number of notes of Rs.500 demonetization was 76% and for Rs.1000 demonetization was 109% during this period. As per the data provided by Swiss Bank in 2011,. India is topping the list with almost \$1500 billion of its black money deposited with them, followed by Russia \$470 billion. The amount of black money is increasing year by year significantly (Ramdurg and Basavaraj, 2016). The reason for 2016 demonetization in India was, To eliminate counterfeit currency:

- Too shrink the size of the parallel economy and black money in India.
- To reduce corruption

It generates inflation which adversely affects the poor and the middle classes more than others. It deprives Government of its legitimate revenues which could have been otherwise used for welfare and development activities. So, in order to curb the menace of black money, various measures have been taken by the Government which includes:

- i. Constitution of a Special Investigation Team (SIT) under the Chairmanship of a former Supreme Court Judge B.P. Jeevan Reddy and implementing some of its recommendations
- ii. Enactment of a new law viz., 'The Black Money and Implementation Of Tax act, 2015' to deal with black money stashed abroad
- iii. Introduction of 'Benami Transactions Amendment Bill 2015, enabling confiscation of Benami property
- iv. Enhancing the share and exchange of information with foreign countries and proactive involvement in international efforts to combat tax evasion/black money
- v. Introducing Income Declaration Scheme, 2016
- vi. Use of information technology for mining of information
- vii. Prescribing requirement of PAN numbers on high value transactions
- viii. Taking actions against hoarders through enforcement agencies
- ix. Constitution of Multi Agency Group with members (investigation) of CBDT for speedy investigations against Indian persons having undisclosed foreign assets.

LITERATURE REVIEW

LITERATURE REVIEW

- World Bank CEO Kristalina Georgieva said. “Prime Minister Narendra Modi’s decision to ban high value banknotes as part of efforts to stamp out corruption will have a profound and positive impacts on the Indian economy. Demonetization may have caused some hardship people living in the cash economy but in the long run the move will help foster a clean and digitized economy”
- Getamber Anand, President, Realtors’ apex body CREDAI said’ “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 across all sectors.”
- YES Securities recent report on Demonetization says that, “short-term implications for cash-intensive sectors such as real estate, construction, and consumption were severe. However, in the medium term, benefits through higher government spending, better transmission, greater financial inclusion and movement of household savings from physical to financial would be beneficial” for boosting potential growth of the economy.
- According to the report released by Central Statistics Office (CSO), Ministry Of Statistics and Programme Implementation’s second Advance estimate of national income at constant(2011-12) and current prices for the financial year 2016-17 the gross Domestic Product (GDP)is likely to attain a level of 121.65 lakh Cr., against the 1st revised Estimate of GDP during 2016-17 is estimated at 7.1% as compared to the growth rate of 7.9% in 2015-16.
- CMA Jai Bansal (2017) reveals that GDP of country slightly decrease as compare with the pervious year but we cannot say it will be same in future also. This intervention is a one-time draining of this current stock of black money but unless the root causes of corruption are removed, corruption will continued. It is sort of like a dialysis, more of a short term cleaning up than a solution of the problem. It need to be repeated periodically.

- Dr.Partap Singh (2016)[2] researched on impact of demonetization on Indian economy and concluded 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 experience from different countries shows that the move was one of the series that failed to fix a debt-burdened and inflation-ridden economy.
- Sukanta Sarkar (2010) conducted a study on the parallel economy in India: Causes, impact & government initiatives in which he focused on the existence of causes and impacts of black money in India. According to him, the main reason behind the generation of black money is the Indian Political System i.e., Indian Government just focused on making committees rather than to implement it. So, he concluded that the law should be implemented properly to control black money in our economy.

RESEARCH STUDY

RESAERCH STUDY

NEED OF THE STUDY

- To known changes of corruption rate
- Increase in tax compliance
- Elimination of terrorism and illegal activities

RELEVANCE OF THE STUDY

The title of the research is 'A study of an impact of demonetization on Indian economy'. It includes positive and negative impact of demonetization in Indian economy of 2016. This is important for understand the meaning and reasons of demonetization it is done to know which is impact of the demonetization affected on the Indian economy.

OBJECTIVES OF THE STUDY

- To know the changes of corruption rate.
- Identifying citizen review for demonetization.
- To find out changing of real estate policy

HYPOTHESIS OF THE STUDY

NULL HYPHOTHESIS: The objectives of demonetization policy succeed in India.

ALTERNATIVE HYPHOTHESIS: The objectives of demonetization policy failed in India.

LIMITATIONS OF THE STUDY

- Errors while making calculations are likely to creep in.
- The biggest limitation is the time.
- The respondent can be biased in supporting a particular area.
- Purpose of research is limited study of the current economic condition of India by impact of demonetization in India.

**RESEARCH
METHODOLOGY**

RESEARCH METHODOLOGY

This study is of descriptive nature and tells about the meaning and reasons of demonetization along with the sector-wise impact of demonetization, positive and negative impacts of demonetization on Indian economy. Hence makes use of secondary data. The entire study is based only on observation and documentary analysis. Furthermore, the require & relevant secondary data are collected from various Research Papers, Journals, & Publications, Websites and many others. Books have also been referred for theoretical information on the topic as required

Work Plan.

DATA ANALYSIS AND INTERPRETATION

Demonetization: What We Know Three Years On...

Three years after the Indian government decided to scrap nearly 86 percent of the country's currency overnight, researchers and data scientists continue to study the impact of the unparalleled 'natural experiment'.

- How much did the note ban impact economic activity?
- Did it leave people nervous and holding more cash?
- Did it push digital payments?
- Did it reduce the instance of counterfeit currency?

These are all questions that continue to be studied, with some answers starting to emerge with time.

Impact On Economic Activity

Among the studies initiated to assess the impact of demonetization on India's economy is a December 2018 working paper authored by economists Gita Gopinath, Prachi Mishra, Abhinav Narayanan and Gabriel Chodorow-Reich for the National Bureau of Economic Research.

Using RBI data, the authors constructed a metric called the local area demonetization shock—the ratio of post-demonetization to pre-demonetization currency in an area. The top 10 percentile of the districts were those that had cash equal to 70 percent of their pre-demonetization level. The bottom 10 percentile had currency equal to only 33 percent of its pre-demonetization level. Districts which were relatively ranked in between, had currency equal to 42 percent of the pre-demonetization level.

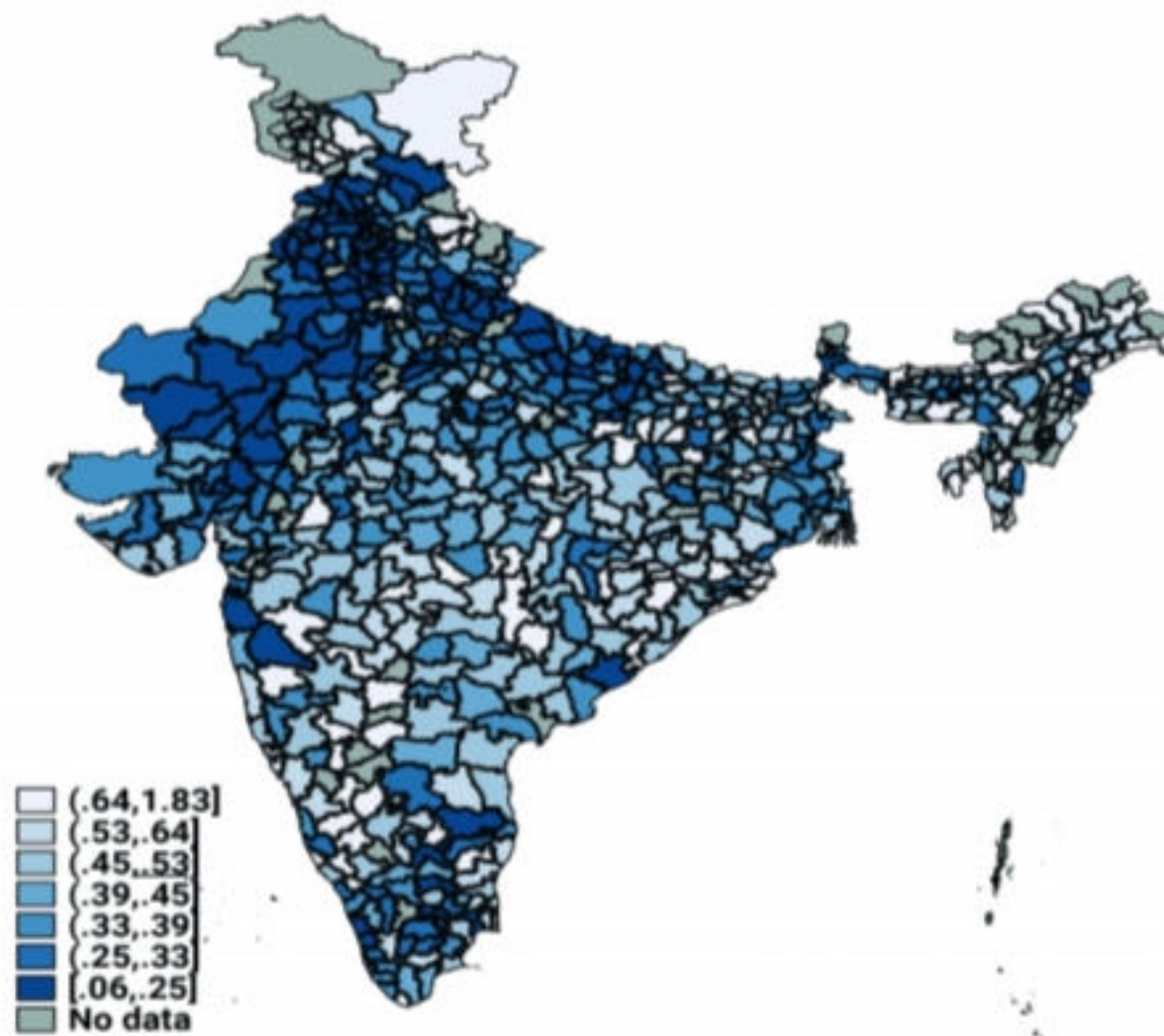
The authors then went on to assess the adverse effect on real economic activity using a new household survey of employment and satellite data on human-generated nightlight activity to measure demonetization's effects at the district level.

The study found a difference in output of roughly 4 percentage points between districts at the 10th and 90th percentile of the demonetization shock in the period immediately after the announcement.

- Districts that experienced more severe demonetization shocks had much larger contractions in ATM withdrawals.
- Economic activity, as measured by employment rates and nightlights, fell in these areas relative to areas experiencing smaller shocks.
- These areas adopted alternative forms of payment such as cards, e-wallets, informal lines of credit or use of old notes. That is evident from the fact that the difference in output is far less than the difference in the amount of currency replaced.
- Deposits increased more and credit fell in areas with higher shocks as households could not withdraw money from their bank accounts.

More broadly, the study pointed to a contraction in employment and nightlights-based output of 2 percentage points due to demonetization, the effects of which dissipate over the next few months.

Demonetisation Shock By District



Source: CASH AND THE ECONOMY: EVIDENCE FROM INDIA'S DEMONETIZATION, NBER WORKING PAPER SERIES

Bloomberg | Quint

Impact On Financial Profile Of Household Sector

A key question following the demonetization experience was whether people's financial savings habits would change. Would they see the need to hold on to more cash, given the deposit withdrawal restrictions they faced during the phase when new currency was in short supply?

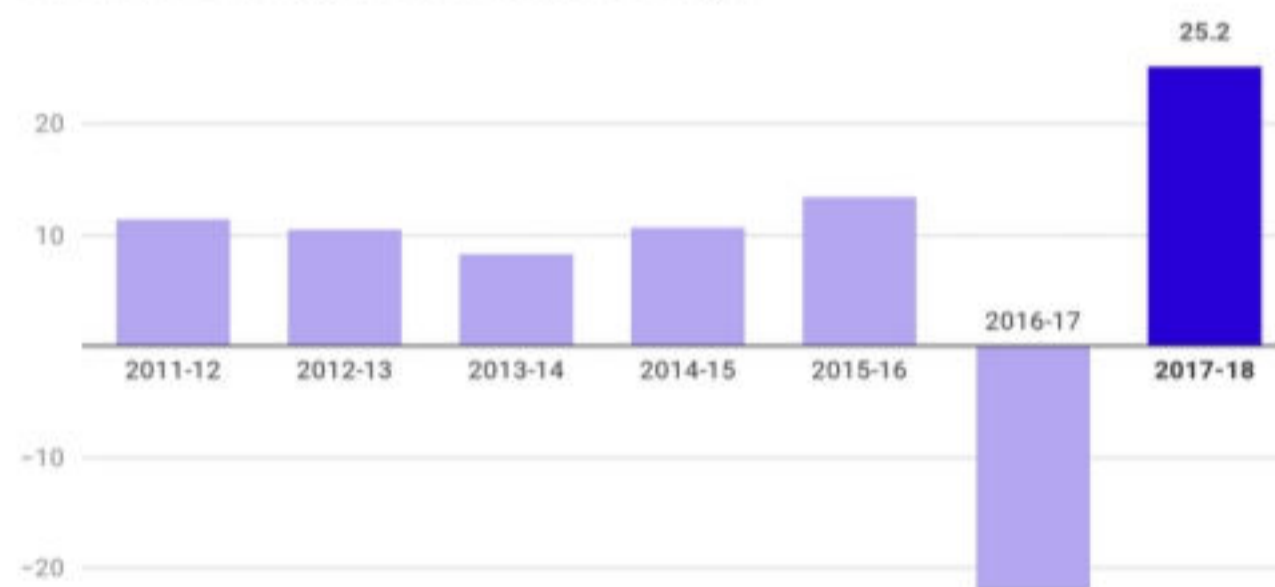
The latest reading of National Account Statistics throw up some interesting, if inconclusive, findings.

First, the data shows that in the year immediately after demonetization, people did appear to be holding on to more cash. As such, the share of currency in gross financial savings of households jumped to 25.2 percent, a sharp increase from the levels seen in years prior to demonetization. *Hindustan Times* first reported the data last week.

Did that preference for cash holdings continue even after 2017-18? Data for subsequent years will tell.

Demonetisation Aftermath: Did People Hoard Cash?

% Share Of Currency In Gross Financial Savings?



Source: MOSPI

Bloomberg | *Quint*

Another indicator, though, which gives a share of the share of cash in the economy's broader money supply throws up a different conclusion.

The share of currency with the public as a percentage of M3, or broad money, has remained close to the range seen before demonetization. At present levels, currency with public accounts for about 13.54 percent of broad money, shows RBI data.

Demonetisation Aftermath: Are People Holding More Currency?



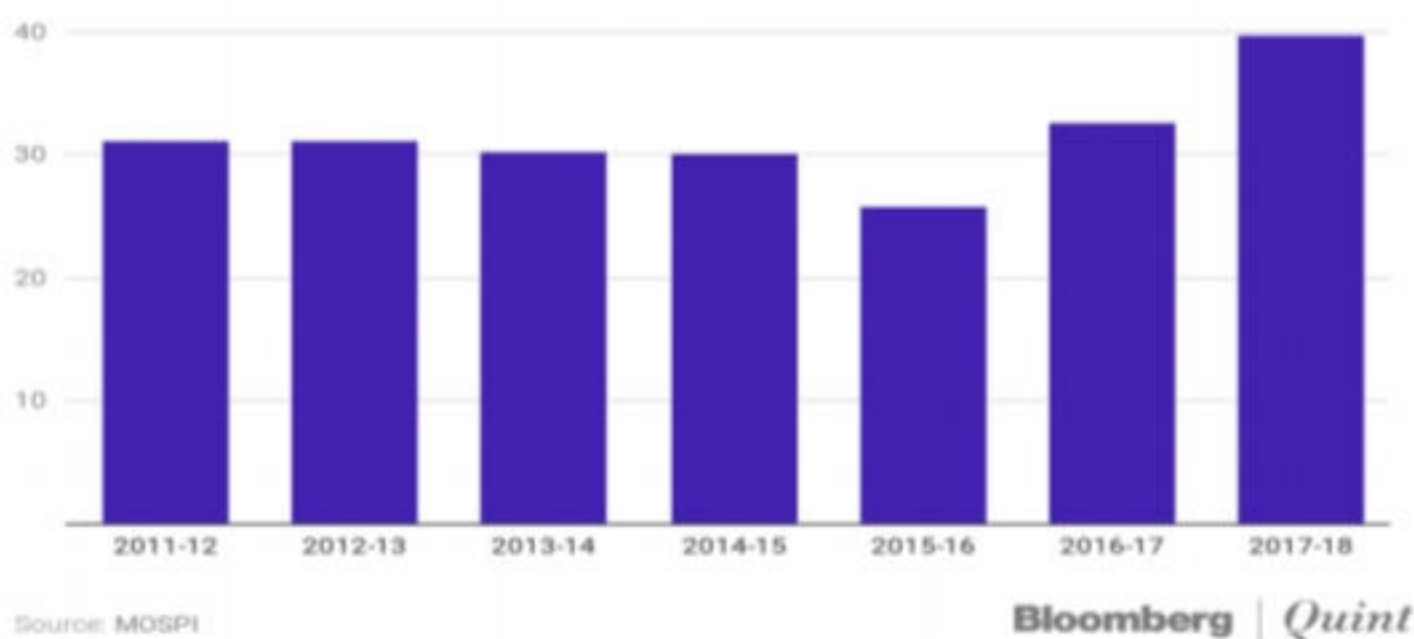
The National Accounts Statistics also throw up another interesting finding.

The years 2016-17 and 2017-18 saw financial liabilities of the household sector rise sharply. The household sector, as defined by the Ministry of Statistics, comprises individual households, agricultural households, unincorporated enterprises and private trusts.

Financial liabilities as a percentage of gross financial savings rose to 32.6 percent in the year of demonetization compared to 25.8 percent a year ago. This further rose to 39.6 percent a year later. To be sure, this increase in leverage could have also very likely been linked to the increased consumption seen in the economy over the last few years.

Demonetisation Aftermath: Increased Indebtedness?

Financial Liabilities As A % Of Gross Financial Savings



Did It Push Digital Payments?

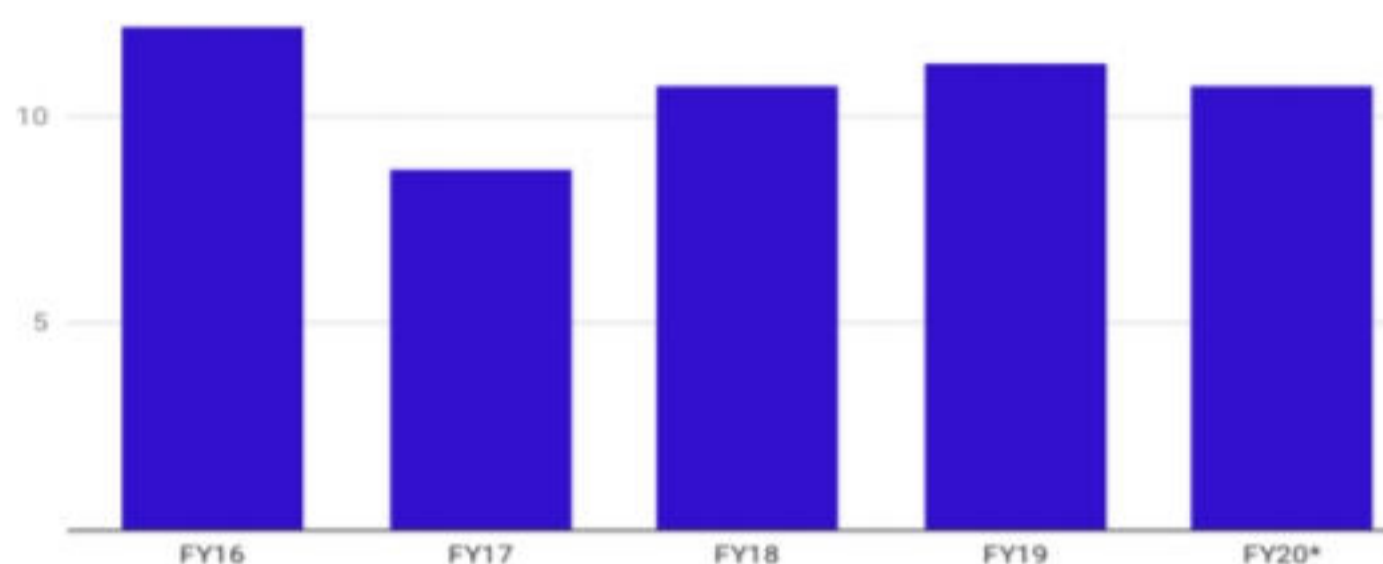
A often stated objective for demonetization was to encourage digital payments and reduce the use of cash in everyday transactions.

However, currency in circulation as a percentage of GDP moved back towards its long term trend quite quickly after demonetization. Prior to demonetization, currency in circulation as a percentage of GDP was just about 12 percent. Over a longer period of time, this ratio has been between 11-12 percent.

As soon as reprinting of currency was completed, this share of currency in GDP started to move back up. For the full year FY19, it settled at 11.257 percent.

Currency In Circulation

As A % Of Nominal GDP



*GDP for FY20 As Per Budget Estimates

Source: Bloomberg

Bloomberg | Quint

However, there are other indicators that do suggest an increased usage of non-cash methods of payments, particularly as a share of consumption expenditure, perhaps across urban consumers.

Spends on credit and debit cards at point-of-sale terminals as a percentage of personal final consumption expenditure have nearly doubled since before demonetization, shows data from the RBI when compared with National Accounts data.

Card Spend Continues To Rise

As A % Of Nominal Private Consumption Expenditure



Source: RBI, MOSPI

Bloomberg | Quint

Did It Reduce Counterfeit Currency?

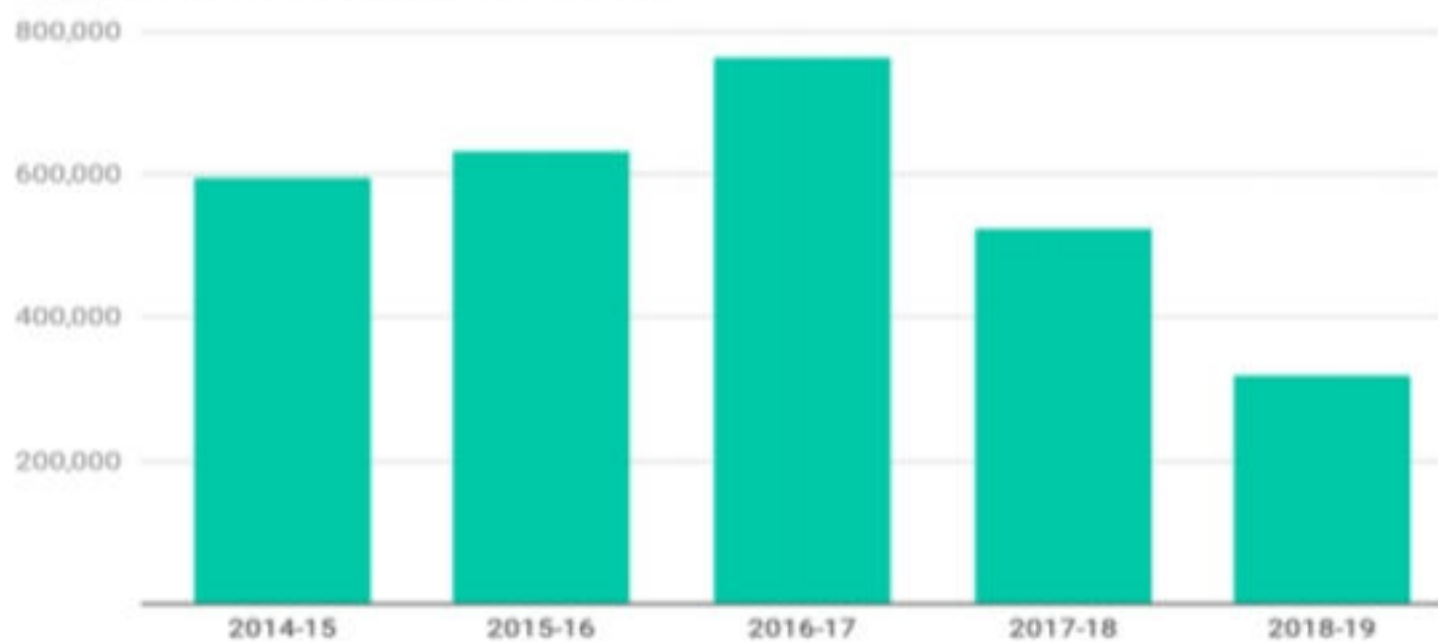
Another reason cited for demonetization, albeit a small one, was that counterfeit currency in circulation had risen. Judging the extent of counterfeit currency is difficult. The only data available is the number of counterfeit notes detected, put out by the RBI but this only tells the story of what has actually been detected as opposed to what exists.

Still, going by that data, the extent of counterfeit notes detected have gone down following a spike in the year of demonetization when banks were screening all the notes being deposited.

In 2018-19, 3.17 lakh counterfeit notes were detected shows the RBI's latest annual report.

Has Counterfeiting Gone Down?

Number Of Counterfeit Notes Detected



Source: RBI Annual Reports

Bloomberg | Quint

**RECOMMENDATIONS
AND SUGGESTIONS**

RECOMMENDATIONS AND SUGGESTIONS

There has been little doubt in anyone's mind that demonetization has been an excellent idea in waging a war against black money and fake currency racket, aided the criticism has chiefly revolved around the manner in which the entire mammoth exercise has been executed. Virtually, the entire nation, especially the weakest sections, comprising millions upon millions of people, have paid and continue to pay the price for the sins of the few who are the prime culprits in the generation and hoarding of black money.

The solution is ridiculously simple; not unlike some of those wire puzzles that look virtually unsolvable at first, but once you know the solution, it looks ridiculously easy, and you may even be forgiven if you think you actually had the problem in your grip all along.

The solution to better implementation of the plan lies in separating the demonetization problem from the new currency problem. Suppose the following had been the sequence of events.

The government could have announced openly, say on November 1, its intension to introduce the new currency of Rs. 2,000 into the economy (It might helped if they had kept the size of the currency the same s, say the Rs. 1,000 notes.)

All the banks could have been given 15 days to configure their ATMs to enable them to accept the new currency at the end of the 15 day period. It could also have been publicly announced that the new currency would be available on the ATMs effective, say November 16. Given the spread out time, none of the normal operations of ATM would have been impact unduly. There was no question of the confidentiality of anything, since the exercise would have been only about introduction of the new currency. This would have taken care of all the software and loading issues substantially.

The PM could have gone on the air, say no November 15 night and announced the demonetization move effective midnight. Under this situation, as the ATMs would have been more or less ready to dispense the new currency, and the kind of disruption witnessed now may have been substantially mitigated, if not altogether eliminated. No exercise of this magnitude can be without substantial disruption to the everyday life, especially of those at the bottom of the pyramid. But it did not have to be this bad.

It is a tragic reality, that whether it is natural disasters like floods, epidemics or water scarcity or inflation or riots or war of demonetization, hoarding or black marketing, it is those in the lowest socio-economic strata that pay the maximum price, while those at the top, who are often the prime cause of most disruption, virtually go without having to share the pain. It seems tragic that the lion's share of the burden of the cleaning up of the country's corrupt politician, corrupt babus, corrupt police, corrupt judiciary, corrupt builders, corrupt land-sharks, hoarders, assorted black-markets, rioters, terrorists etc. all should fall upon the entirely innocent poorest of the poor. Worse, the successive governments over seven decades have done little to improve the life of the majority of this down-trodden.

CONCLUSION

CONCLUSION

Demonetization of old currency notes surely has had some positive impact like reducing the cash flow to terror organization, dismantling of counterfeit currency infrastructure, better income tax and indirect taxation, boost to digital economy. However, it has come at a huge social and economic cost. Central government's recent decision to demonetize the high value of currency is one of the major steps towards the eradication of the black money in India. The demonetization drive will affect some extent to the general public, but for largest interest of the country such decision are inevitable. Also it may not curb black money fully, but definitely it has major impact in curbing black money to large extent. Through the GDP growth will get hit the for the year 2017, the effect of demonetization move along with policies like Digital India, Benami Act, cap on cash transaction will spur GDP growth in the coming years.

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