



EFFECTS OF DEMONETIZATION ON INDIAN ECONOMY.

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ABSTRACT

The purpose behind this move was basic: India's Ministry of Finance claimed that 500 and 1,000 rupee notes are being utilized to back fear based oppression, support unlawful medication deals, fuel the bootleg market, drive falsifying, and pay fixes. This supposed "dark cash" had supposedly developed to such incredible scale that Prime Minister Modi proclaimed that enough was sufficient, that he would willingly volunteer wash his country's money supply all at once. Demonetization can be said as a "Surgical Strike" on Black Money, Terrorism, Fake Currency, Unorganized exchanging, Real Estate, Share advertise and so on. Then again in the event that we discuss the Indian business on a more extensive way it can be classifications in three sections Manufacturing part, Service area and Agriculture segment. After demonetization just Agriculture area demonstrates some positive change while on the off chance that we discuss the assembling and administration division both were smashed down and these will influence the entire Indian market in 2017 moreover.

As of December 28, official sources said that the Income Tax office recognized more than 4,172 crore of un-revealed wage and seized new notes worth 105 crore as a feature of its nation wide operations. The division completed an aggregate of 983 pursuit, overview and enquiry operations under the arrangements of the Income Tax Act and has issued 5,027 notification to different elements on charges of tax avoidance and hawala-like dealings. The office likewise seized money and gems worth more than 549 crore out of which the new cash seized (lion's share of them 2000 notes) is esteemed at around 105 crore. The office likewise alluded a sum of 477 cases to different offices like the CBI and the Enforcement Directorate (ED) to test other financial crimes like money laundering, disproportionate assets and corruption.

KEYWORDS: - Indian government, note ban, economist, expert, opinion.

INTRODUCTION

Demonetization is the demonstration of changing the current cash in another frame. The old units ought to be resigned and supplanted by new cash. At the end of the day demonetization implies either presenting new notes or coins of a similar money or completely supplanting the old cash with new cash. There is an one imperative



thing exist on financial aspects, which is remonetisation, in which types of installment is reestablished as lawful delicate.

There are such huge numbers of reasons, why governments demonetized their country's cash. A few reasons resemble opposing expansion, oppose debasement, and dishearten a trade framework out the nation.

In November 2016, The Indian government has made an intense move to demonetize the 500 and 1000 Rs (completely boycott). Cash takes note of, these two greatest named notes accounted 80% of the money supply. The administration's primary targets of note boycott is, to kill fake money, oppose tax avoidance, pulverize the dark cash, and psychological militant financing exercises, and to support the nation towards the cashless economy. This choice taken by government is for welfare of the country, however such a significant number of inquiries comes at the top of the priority list that, would note boycott choice really destroy the dark cash, if does then at what degree dark cash will turn out. What ought to be the effect of this choice on Indian economy? Would Indian economy be prosperous or would be poor.

OBJECTIVES OF THE STUDY

- 1) To know about actual present outcomes of the note banned decision.
- 2) To know the potential of the note ban decision.
- 3) To estimate the consequences for future of the note ban decision.
- 4) To know the impact of note ban decision on the Indian economy.

Scope of the study

This investigation will supportive for the nationals of India, Indian government, businessperson and the Indian clients. Through this examination government will have the capacity to think about the future states of the economy. This examination will help to the legislature for arrangement making to the advancement of the economy. This investigation will likewise supportive for the Indian subject since they would have the capacity to know the present and future state of the economy and they can take normal choice on their pay and consumption. Any agent can likewise take the insightful choice with the goal that he will have the capacity to produce more income and can acquire the benefit in the genuine market situation. At long last everyone would have the capacity to know the effect of note prohibited choice on Indian economy and in addition Indian markets.

Data Collection

Secondary data has utilized for the investigation. Auxiliary information is gathered from library, course readings, and diaries, from news papers and from applicable sites accessible on internet.

Measurement

Based on situation specific scenarios, expert's opinions, and use of internet for information search.

Theoretical Framework

Experts and Economists views about demonetization in India.

1. Amartya Sen (Leading economist; Noble)

(Laureate; recipient of the Bharat Ratna) According to Indian express, Professor Amartya Sen said that a huge number of guiltless individuals have denied from their cash and being endured to recover their own cash.

2. Dr. Manmohan Singh (Former Prime Minister; eminent economist; former RBI governor)

According to Indian express, the former prime minister, RBI senator, and financial analyst Dr. Manmohan Singh said in Rajya Sabha that this demonetization is a sorted out plunder. In his discourse he said that, the way the plan has been actualized will hurt the farming part in India, it will likewise hurt the little scale industry and casual divisions of the economy. He likewise said that India's GDP can falls around 2 rate point because of this

note restricted approach. Agreeable banks which serves the rustic zones are non useful and has been kept from money. Previous leader additionally said that this note banned policy is a monumental mismanagement.

3. Kaushik Basu (Leading economist; Senior VicePresident and Chief Economist at The World Bank)

According to Indian express, Mr. .Kaushik Basu said that legislature of India made approach that any individual who stores cash past the point of confinement of 250000, need to pay immense punishment. This strategy made another bootleg market, in which huge measure of unlawful trade broken out to littler parts and kept by the individuals from group; which is a legitimate method for illicit movement. Mr., Basu said this move is harming blameless individuals who has no illicit cash however they have developed money save over a drawn out stretch of time.

4. Arun Shourie (Former economist at the World Bank; recipient of the Padma Bhushan and Union Minister)

According to Indian express, Mr. Arun Shourie said in a meeting with NDTV, that this note restricted arrangement made by display Indian government isn't jab on dark cash, on the grounds that the proprietor of dark cash changed over their cash into substantial and elusive resources. The people who have tremendous dark cash, they never keep cash in real money, they never hold cash under the bedding, or in gunny packs. They put their dark cash in properties, gems, securities exchanges or in different resources.

5. Arun Jaitley (Current Finance Minister of India; Senior Advocate, Delhi High Court)

According to Indain Express Mr. Arun Jaitley gives his feeling that the demonetization is useful for economy, Indian banks were confronting NPA issue since last numerous years, now banks will have more cash to loan for some areas of the economy.

6. Arvind Virmani (Leading economist; Former India's representative at IMF; Former Chief Economic Adviser, GOI)

According to arvind virmani demonetization is a helpful strategy to take care of the issue of dark cash, yet he likewise said that it require the more profound examination to check the adequacy of demonetization. Quick impacts of demonetization is negative effect in retail exchange merchandise and ventures. Cash for ordinary exchange must be supplant soon.

7. Surjit Bhalla (Chairman, Oxus Investments, a Delhi-based economic research/advisory firm; Former Professor at Delhi School of Economics; Previously worked at the World Bank)

According to Mr. Surjeet Bhalla BJP government make a Courageous stride, and the credit goes to our leader Mr. Narendra Modi. In the event that this progression would be effective then it will be greatest change in india. This arrangement will noiselessly make the cash for the economy.

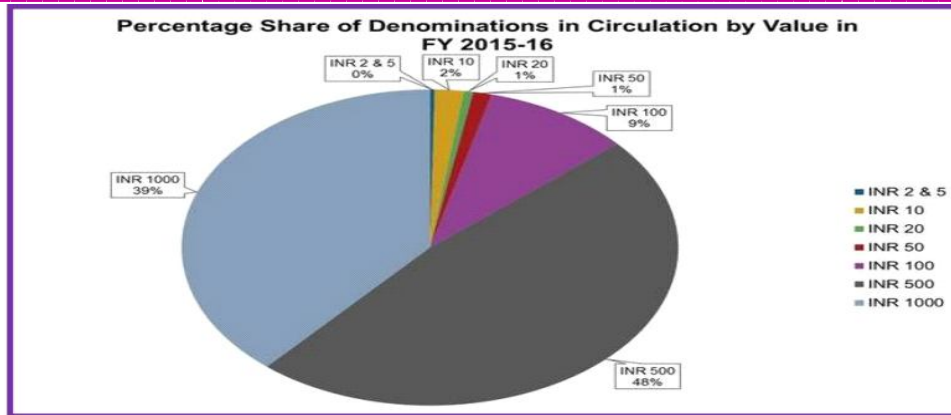
Some other aspects to know the effectiveness of demonetization

1. Why India demonetized only 500 and 1000 currency notes

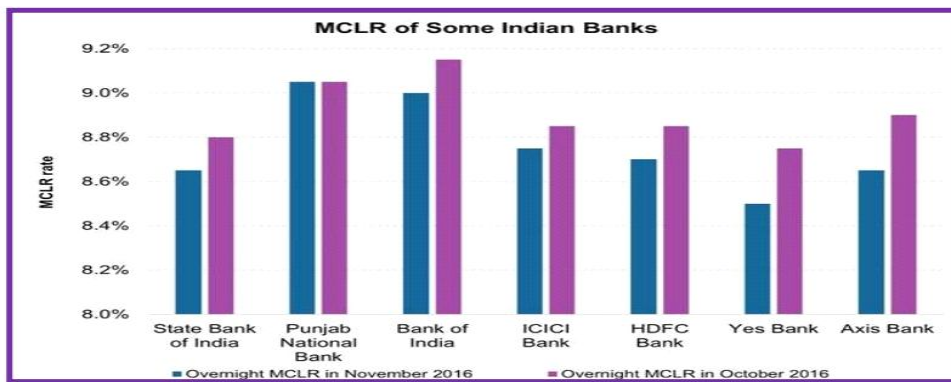
According to RBI's Report the 500 rupees and 1000 rupees notes around 86 % esteem in the course. So government chooses to evacuate this immense measure of cash from the market. What's more, the most extreme Fake money notes exist as 500 and 1000.

2. Impact of demonetization on Indian economy

The demonetization some way or another decreased utilization action in economy of India. Be that as it may, it expanded the cash in banks. At the season of demonetization the utilization had diminished and the market progress toward becoming log jam, yet the expansion in the testimony in the After demonetization declaration affidavit in Indian bank has expanded. According to World bank India, stores crossed 5 trillion rupees from tenth November to eighteenth November. Because of this many banks like SBI, ICICI, HDFC PNB lessened their stores bank would be better for economy in future.



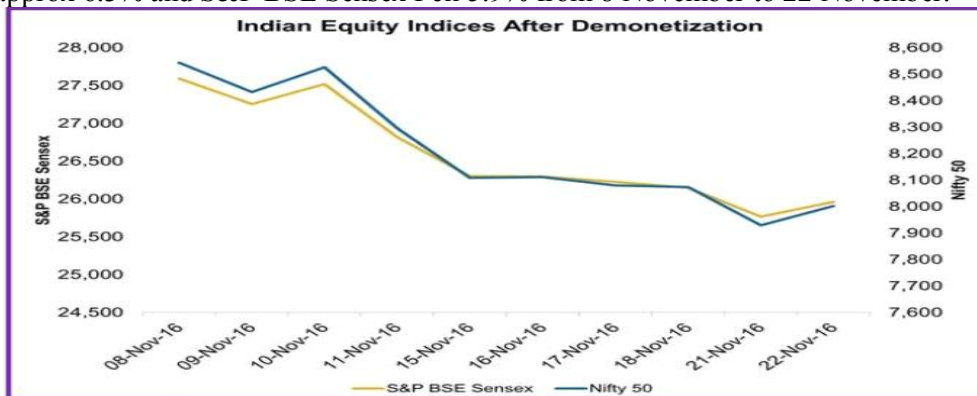
3. Impact of demonetization on loan from banks in India.



(Here MCLR means (Marginal Cost of Landing Rates)

4. IMPACT OF DEMONETIZATION ON INDIAN FINANCIAL MARKET

After demonetization Indian budgetary market has been taken after simply like common falling pattern. Clever 50 fell approx 6.3% and S&P BSE Sensex Fell 5.9% from 8 November to 22 November.



5. Impact of demonetization on next financial year (Hindustan times, 2 feb.2017)

According to Pranab Sen (India's First Chief Statistician) said that, the focused on monetary development rates around 7.5% displayed by Indian government for forthcoming money related year is over idealistic. He said that the choice in regards to restriction on money note has antagonistically influenced the modern area. It influenced the IT division which is 45% of the India's Gross Domestic Product, and roughly 80% of India's work relies on IT segment.

6. Impact of note ban on Auto Assets Backed Loan (Business standard,13 feb 2017)

According to Moddy's speculator benefit demonetization has contrarily affected on Indian auto-assets upheld advances for the time being and this will proceed till the walk end.

7. Impact of demonetization on Real estate (Business standard,12 feb 2017)

During November December 2016, the mothly normal lodging deals fell around 40% in the best nine urban areas like Gurgaon, Ahmadabaad,Kolkata, Chennai, Hydrabaad, Bengaluru, Pune, Mumbai and Noida. Before demonetization the month to month normal house deals was 19000 units in July month and 18000 units in October month.

The month to month normal deals were diminished definitely a mid November-December months by 40% and 49% individually.

The government had reported the demonetization proceed onward November 8, raising any expectations of sharp fall in costs in property advertise, particularly optional or resale section.

Beginning of second from last quarter ,October month demonstrating best execution, however November and December both adversely affected by the demonetisation , half of the aggregate deals in the second from last quarter contributed by October month.

The land engineers were centering their endeavors to draw in clients by offering extra free advantages like gems, electronic things, cars, occasion bundle and machines on the buy of lodging units.

Developers likewise offered the value ensure, rental affirmation, and buyback plans to acquire certainty the part.

8. Impact of demonetization on FMCG (Fast Moving Consumer Goods) 33 industry (Economic times 24 Dec. 2016)

FMCC industry had gone around 1-1.5% or Rs 3,840 crore in November, contrasted with October. The buy in November had gone around 6.4% contrasted with October. Buy of individual care things, for example, latrine cleansers, toothpaste and cleanser seen the best fall by retailers. As per purchaser perspective, one out of five housewives had diminished spending by half or more. They had cut spends crosswise over classes for motivation classifications, for example, scones, salty tidbits contrasted with ordinary fundamentals like atta, rice, beat, sugar.

9. Demonetization will help.0 to fight with black money and reduce corruption. (DNA India 13 dec.2016)

According to Godrej demonetization may had extensive negative impact at the prior stage however after some days the circumstance had enhanced and it will positively affect the economy. The Chairman of the Godrej assemble likewise said that it would battle with dark cash and it will likewise decrease defilement. He additionally said there is a decent measure of money has come into the economy and more is being coming consistently premise, and this is great sign for the economy.

10. Positive effects of demonetization may not be long term. (Indian express, 22 Nov.2016)

According to Fitch Rating the beneficial outcomes of demonetization of Rs 500 and 1,000 notes are probably not going to be of long haul nature to help banks' credit profile. The rating office, which rediscovered its negative point of view toward the Indian managing an account part. The demonetization drive can possibly raise government income and support bank loaning. The demonetization move could support government income to the degree that moves financial action from the casual to the formal division.

The positive effect on financing conditions will rely upon stores staying in banks past the following couple of months, and there is nothing to avoid them being pulled back once more.

CONCLUSION

Demonetization in India is an extraordinary exertion taken by Indian government to battle with dark cash and debasement. It is an intense choice taken by government. The principle motivation behind demonetization is annihilating the dark cash and lessens the defilement. Legislature of India has progressed toward becoming accomplishment to some degree. A large portion of the dark cash has been pulverized. Measure of trade liquidity expanded out the bank step by step. What's more, anyone knows whether the bank has more stores at that point bank wind up noticeably more grounded. The nation in which bank is solid then that region is all the more fiscally solid. In future banks will ready to accomplish an ever increasing number of credits to the individual and to the mechanical areas alcoholic that creation will develop in our nation, work will be produce, and our nation can create at quick rate. Be that as it may, this is just future culminations; up and coming couple of months will demonstrate the real monetary state of our nation.

In spite of the fact that Demonetization has make such a large number of obstacles for the natives of India. Residents of India confronted such a significant number of issues because of the demonetization drive; they confronted line issues in the banks and ATM'S for saving and pulling back cash. Subjects of India confronted issue of less utilization of products because of the absence of money liquidity. A few organizations disturbed due the absence of liquidity, entrepreneurs and also purchaser confronted such a significant number of issues.

At the point when government took this striking choice about the demonetization in India, government didn't realize that Indian resident should confront this sort of issue for quite a while. Be that as it may, government has given such a significant number of solutions for the nationals of India for time to time.

Then again, Indian money related market, land advertise, FMCG Sector, Auto resources supported advances and so on all are declined for a brief span.

Some financial expert said that positive effect of demonetization will appeared in future. Government has likewise expanded as far as possible. The lines before banks and ATMs have lessened. Some way or another dark cash additionally turns out. Presently we should pause and watch the general effect of demonetization drive.

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