

The Economic Implications of Demonetization and the Economic Stabilization

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ABSTRACT

Examining the history of the Indian economy, the problem of counterfeit notes, black money creation, corruption, widespread use of currency notes in terrorism, the sale of illegal drugs, illegal business administration, etc. have been eliminated. To overcome this, demonetization was adopted as the "Basic Steps for Stabilization", which helps to eliminate the short-lived economic instability or prolonged economic inequality. Demonetization was considered as the primary step in moving income distribution to equality. In the next step, digital transactions and GST (Goods and Services Tax) steps have been taken to bring administrative transparency. By reducing the creation of black money in the country by increasing administrative transparency, the money should be made useful for the development of the country. For this I will study some of the effects of demonetization.

Keywords: *Stabilization, Distribution of Income, GST Implementation, Implications of Demonetization*

The main objectives of demonetization are to bring out black money, curb inflation, reduce counterfeit currency, reduce terrorism, and reduce corruption. This demonetization step was implemented to eliminate problems like etc. Like India, many countries around the world have resorted to demonetization. It seems to check history. In most countries the objectives of demonetization are similar. Remembering the days of demonetization in India, one wonders whether currency notes have been canceled for the first time in India? The answer is "no". It seems that examining the history of demonetization in India is not an innovative step in India. This was also twice before in 1946 and 1978.

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The first time it was demonetized in 1946, Rs. 1000 and Rs. 10,000 notes were rejected. In exchange for these two notes, the amendment in 1954 increased by Rs. A 5,000 note was issued. Another time in 1978 when Morarjibhai Desai was the Prime Minister of India, Rs. 1,000 / -, Rs.5,000 / - and Rs. 10,000 / - notes were rejected. The effects of the demonetization done in 2016 are similar to the effects of the 1978 demonetization. India, being aware of the country's main problems, met the current Prime Minister, Shri Narendra Modi, along with Finance Minister Mr. Arun Jaitley and his Cabinet from midnight of November 8, 2016 to Rs. 500 / - and Rs. 1000 / - and decided to cancel the currency notes and announced it. Instead of Rs. 500 / - and Rs. 2,000 / - new currency notes were printed and put on the market. So to the people, banks, small and large business, NRI People, etc., as well as most of the cash that they were dealing with, faced enormous difficulties during the implementation of demonetization. The effects of demonetisation were very serious during the short term. But it has resulted in long-term economic recovery.

According to some experts, analysts and economists, the impact of this demonetization will be around 0.5% to 3% on GDP in the current financial year 2016-17 on the Indian economy.

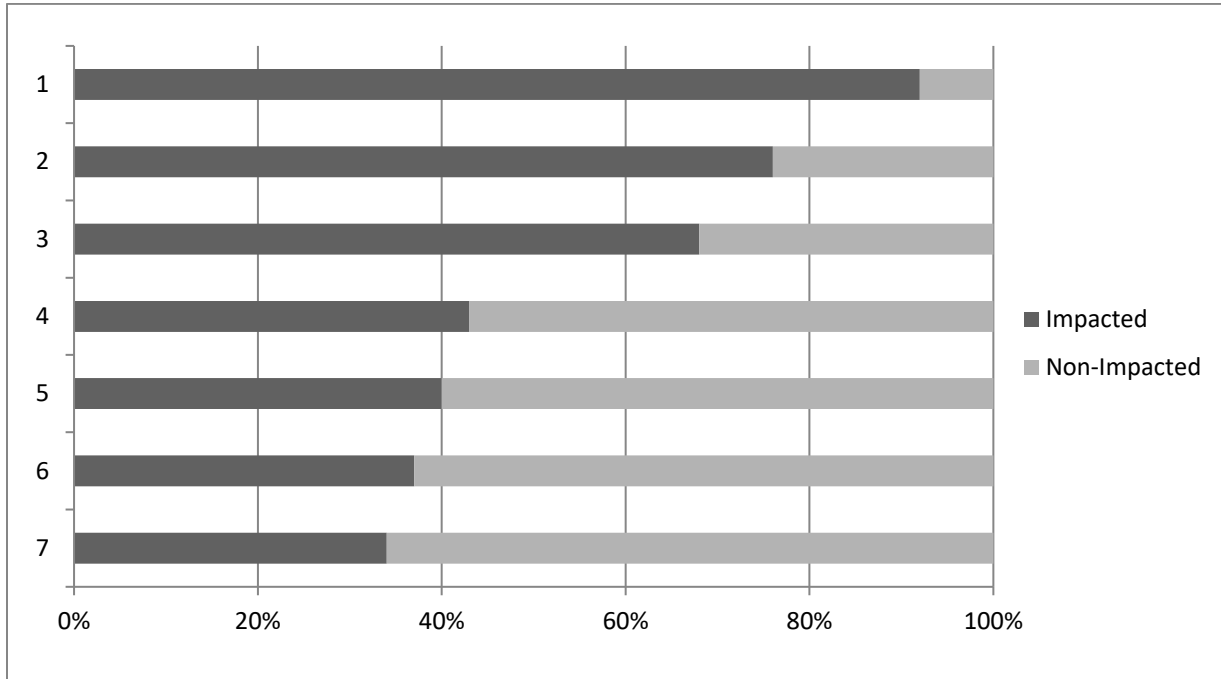
REVIEW OF LITERATURE:

Dr. D. Kanchana, & N. Rajeswari, (2017) According to them, the purpose behind the demonetization of the government was to fight tax fraud, forgery and corruption. In Indian economy, removing large notes makes it difficult to hide large amounts of cash. Prime Minister Shri Narendra Modi noted that this movement was complements with the 'Swachh Bharat Abhiyan' in the country. He said that for years the black money residing in this country was promoting corruption and terrorism and for that reason India has kept the country in the race for development. To break the grip of corruption and black money, he has decided that the currency notes currently in use will no longer be legal tender. The Finance Minister Arun Jaitley added "The Goal of Demonetization is to clean Transaction, to clean money."

PHD Research Bureau (2016) The graph below illustrates the effects of everyday activities of people according to a survey conducted by PHD Research Bureau (2016).

No. Daily Activities	Percentage of Impact
(1) Daily necessities o	92%
(2) Transport o	76%
(3) Health & Wellness o	68%
(4) Beauty & Cosmetics o	43%
(5) Entertainment o	40%
(6) Tourism o	37%
(7) Shopping :	34%

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The PHD Research Bureau survey reveals the different types of problems that people have faced due to demonetization. As well, this survey shows that the effects of demonetization are not just on the consumption of people but also on changing people's currency, ATMs. There was a lot of difficulty standing in the queue to withdraw money from and deposit money in the bank. Of these things, the main problems that people were facing while withdrawing money from the ATM was that 89% of the cases did not have money in the ATM. In 74% of the cases, long lines and waiting hours. In 58% of cases, due to irregularities of the people and in 41% of the cases, people suffered a lot due to the disagreement of bank employees. Many of them suffered loss of life.

Samira Saurabh (2017) According to Samira Sorabh, Director of the Ministry of Rural Development, “ There were 88 crore transactions in the country using ATMs and debit cards in July 2016. In 92% case of these transactions were to withdraw cash from ATMs. Thus, the card is mainly used in India as a cash withdrawal which requires awareness for digital transaction.”

CMA Jay Bansal's (2017) [Asst. Professor, School of Commerce and Management, Career Point Uni. Kota (INDIA)] Reviewing the demonetization states, “ This government intervention is to bring the current supply of black money into a one-time stream but corruption will continue until the fundamental causes of corruption is removed. It's like a dialysis process, a short-term cleaning process that solves problems. It may need to be repeated periodically.”

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OBJECTIVES:

- To examine the short and long-term implications of demonetization in the Indian economy.
- To analyze the implications of demonetization on the banking sector in the Indian economy.
- To analyze the implications on the income distribution of demonetization in the Indian economy.
- Has demonetization helped to create a framework for GST implementation? To analyze that matter.

RESEARCH METHODOLOGY:

This study was prepared for the purpose of analysis on the basis of secondary information i.e. documentary sources, websites, reports, etc. The main sources include the Reserve Bank of India reports, the PHD Research Bureau reports, the Indian State Structural Survey, articles, journal, News reviews and a few other banks' websites.

FACT FINDING IN MY RESEARCH PAPER:

The demonetization had many adverse effects on the economic reforms of the Indian economy. It also had a number of favorable effects that would help the economy accelerate the pace of development. Some of these effects on the Indian economy have been studied in this research paper.

Impact of Demonetization in Short-Run time period:-

At the time of demonetization, i.e. short-term surveys of the above PHD Research Bureau, people were faced with difficulties in depositing cash in cash, in lines of ATMs, in lines of bank, in case of exchange old currency notes only for restricted notes by Rs. 4000/-only. Small-scale, ultra-small, medium and large-scale enterprises, which had to deal with cash transactions, had to go through the recession due to cash shortages. People had to leave their trade and business and stand in the lines of banks. Thus, in the short run the economy was exposed to many adverse effects.

Impact on Banking Sector:-

Banks as a means of the whole process were the biggest contributors to the demonetization. After the cancellation of the notes on November 8, 2016, the performance of the banks began to increase drastically. Because getting new notes, depositing old notes, replacing notes, doing this process so that people do not get unfair in the line, the banks had to continue their daily work. This led to disorganization in many circumstances. Some 300 people were injured in the incident. In some banks, people were faced with more difficulty due to lack of cooperation of staff. Also, the study found that various types of corruption cases were also encountered by the banking staff. It should not be blinded against this limitation of demonetization. Since limited

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notes can be changed in demonetization and due to the low awareness of digital trajectories, most deposits were deposited in banks. Thus, the lack of cash used in everyday transactions led to a decline in demand in the market. So the economy collapses in the circular flow of money that effective demand reduces the situation face in economy, According to the thinking of classical economists, the velocity of money can be reduced due to supply of money in the market decreases. As a result, inflation was under control in the economy as well as the symptoms of recession for some time. But in the long run, after a year, the effects of demonetization do not appear to have so many adverse effects. Against that the business has been back and forth as it was back then. With the increasing importance of the development of banking activities, there has been an increased awareness of digital transactions. Thereby increasing administrative efficiency, it is possible to reduce the creation of black money. The process of credit creation is also expanding by expanding the banking activities. As a result, the use of electronic money, plastic money, Internet banking, etc. has increased. This has enabled us to make efficient use of investment by getting cheap credit. India is one of the largest producers of black money in the country, unorganized trade which will now be possible to monitor through the bank.

Impact on Distribution of Income: -

The main objective of the demonetization was to bring out black money and make it useful for development in the country means to try to equal distribution of income among the persons. Some money came out legally at the time of the demonetization and the government will use it for the welfare of the people while some people have changed the note through the commission. Thus, even though directly and indirectly, the black money holders had to lose their share and it benefited the poor. Thus, the unequal income distribution had to go towards equal income distribution. In the long run, efforts by the government to directly and indirectly distribute the income seem somewhat successful. It also helps with the implications of demonetization.

Useful for Implementation of GST (Goods and Services Tax): -

Demonetization has become very useful in implementing GST (Goods and Services Tax). Transparency in financial transactions is essential for the implementation of GST. Reduce cash transactions through demonetization for GST implementation and that way digital transitions were on the rise. People didn't have the banking habits that were provided. The government has prepared its BHIM (Bharat Interface for Money) application for digital transactions. After the demonetization, direct oversight of the government is possible as people's banking transactions increase and become a transparency in transactions. That is why demonetization can be said to have created an economic environment conducive to the implementation of GST.

SUGGESTIONS:

The government has sown the seeds of a cashless economy through the statement of curbing currency. For the first time in 2014, the government launched 'Jandhan Yojana' and As of April 20, 2016, an estimated 22 million accounts were opened. In 2016, the government approved

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forms of payment for cards and digital equipment. Thus, the advantages and disadvantages of digital transactions should be taken into account. Considering the benefits of digital transactions, it will save people time to go to the bank by expanding their banking habits and activities, saving the government the cost of printing notes which will cost RBI a currency note of Rs. 2 billion crore, there will be increased transparency in transactions, reduction of black money creation, direct supervision of the government, welfare programs run by the government can be made more efficient. Considering the disadvantages of digital transactions, they should include things that increase the chances of being hacked through this case, cybercrime cases will increase, the need for the Internet will be beyond the comprehension of illiterate people. As well as all these many terms have to be accepted. Thus a limited amount of digital transaction should be made useful.

CONCLUSION:

In India, 97% of the old notes of Rs.500 / - and Rs.1000 / - were returned to the banks by which the share of taxation in the total domestic population will increase in the future. Demonetization has slowed the business activities in the market for a short period of time, but after the year, market activity has started to expand as soon as earlier. Instead of Rs. 1,000/- note of Rs. 2000 / - note have started to circulate in the market. Due to inflation, changes in our notes are also inevitable.

In other countries of the world, like India, the study of the impact of demonetization seems to be due to the shortage of cash in the market that causes recessionary symptoms, which in the long run will reorganize the market structure again. The government makes its policies more effective. After demonetization, interest rates have fallen as a result of declining supply of money and rising velocity of money. Loans have become cheaper because of it. Getting low interest loans can be considered a golden opportunity for new entrepreneurs for start new investment in their business, which the government promotes through schemes like 'Make in India'. Various studies have shown that in the case of Bomal's model, it is difficult to estimate the amount of money supply during demonetization.

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