

# DEMONETISATION IN INDIA: SMALL PAIN AND SUSTAINABLE GAIN

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**Abstract:** Demonetisation is the act of cancelling the value of money in circulation. It ends something as the legal tender of a country. So after demonetization the currency loses its status as legal tender. The circulating authority withdraws that particular currency or coin from circulation. It is necessary whenever there is a change of national currency or coins. In this process the old notes or coins replaced with new one. Some problem rose at the initial stage of demonetisation in India. Now the movement towards cashless economy is in peaceful stage and government must make necessary infrastructure facilities to overcome these issues.

**Keywords:** Black Money, Cash Crisis, Demonetization, Digitization.

**Introduction:** Demonetization policy announced by the central government is a powerful economic weapon to tackle the serious problems such as counterfeiting of Indian banknotes, to squeeze the black money holders and to defend funding of terrorism with fake notes. The announcement in this regard was made by the Prime Minister of India, Sri. Narendra Modi in an unscheduled live televised address at 08:15 p.m on 8th November 2016. In the announcement, Prime Minister declared that use of all 500 and 1000 banknotes of the Mahatma Gandhi series would be invalid after midnight of that day and announced the issuance of new Rs. 500 and Rs. 2000 banknotes.

**Statement of the Problem:** The people faced a lot of problems after demonetization. Cash crisis, limited withdrawing power, cashless ATMs etc. are the real problem. Although the decision of demonetization has a positive objective there is some crisis also. People living in rural areas are suffering due to lack of proper banks and ATMs. The ATMs of the urban area have no cash at all. The traders and small shops faced a decline in their business. Hence a systematic study covering all the aspects of problems of common man is necessary to find out the crisis and to suggest solutions that stand in the way of demonetized economy.

**Scope of the Study:** The present study aims to assess the effect of demonetisation of high value bank notes by the Government of India on 8<sup>th</sup> November 2016 on the life of common people of Kerala. More specifically, it covers whether the demonetisation affect the day to day life of people, whether they are in favor or not on the policy and to know whether it violate the right of the people to maintain the existing standard of living. The assessment will be made by taking the opinion of 100 people living in varied living condition in Kerala.

**Objective of the Study:** The study aims at the following objectives.

1. To understand the effect of demonetisation on the daily life of common people.
2. To know the perception of common people towards the policy of demonetisation.

**Research Methodology:** The study is both analytical and descriptive in nature based on primary and secondary data. Primary data were collected with the help of an Interview schedule and circulated among people of Kerala. For selecting the samples, convenient sampling method is used. The secondary data were collected from news papers, periodicals, Reports and the Internet. Necessary discussions have also been made with the Officials at the various banks and other officials to cross check the published data and the data available at the government department. For data analysis, average and percentages were used.

**Effect of Demonetization:** The main problem faced by a country like India is large amount of black money. This will negatively affect the total tax collection and thereby the development of our country. But after demonetization there will not be any chance to such a category. Because black money stored in the form of Rs. 500 and Rs. 1000 notes will be taken out of our system. The other currency related issue is fake currency. The paper needed for printing currency imported from other countries. The importer countries also supplying the same to some other countries. So it is used for printing fake currency and supply the same resulted economic terrorism. This currency note is circulating in Jammu and Kashmir, North-eastern states and Naxalite hit states. Taking out 500 and 1000 rupee notes out of circulation will have a lasting impact on the terrorist activities. The funds used by the political parties are the public money. They are not at all accounted one and after demonetization these all are come through bank accounts and accounted. All these parties forced to reduce their expenditure and thereby public money will be saved. Now a day the real estate price shows boom trend which is not at all the real price of that property because of black money. The demonetization decision is expected to have far reaching effects on real estate. Resale transactions in the real estate sector often have a significant cash component as it reduces incidence of capital gains tax.

**Management of Cash Shortage:** Everyone in the country, including foreigners in India, in different ways and in different degrees, has been experiencing the consequences of the cash shortage. Clearly from their experiences everyone can see that the shortage is also far from being over.

The table No.1 shows various sources of cash through which the people managed their cash crisis. 40 per cent of the people borrowed from their neighbors who are having surplus currencies having monetary value. 30 per cent of the respondents postponed their transactions as they haven't currency with them. Here 20 per cent of the respondents used digital payment through debit or credit card with them.

Table No. 1 Sources of Cash

Sources of cash	No.	%
Borrowing from neighbors	40	40
Purchased on credit	10	10
Availed service on credit	0	0
Post payment	30	30
Availed Credit/Debit card facility	20	20
Total	100	100

**Source:** Primary Data

**Opinion on The Policy of Demonetization:** The nation, of course, stands divided in its opinion in to positive and negative. Eventually, the government will be able to invest more money in agriculture and social sector. A lot of money that operates in the shadow economy will now become a part of the banking structure itself. Banks will have a lot more money to support the economy. Private sector investment, which was so far lacking, will now get back into the economy. The banks which were struggling because of the NPA problem will have a lot more money to lend for agriculture, infrastructure sector, social sector, trade and industry.

When asked whether the demonetisation policy check the black money in circulation, the respondents opined that it will check the black money in circulation. They also state that this will also checks the corruption in our country. 90 per cent each of the respondents stand in favor of the above two points. 80 per cent of the respondents viewed demonetisation policy should be an effective tool to stop financing to terrorist activities. A notable portion of 90 per cent viewed that this will lead to cashless trading. 50 per cent each of the respondents opined that demonetisation policy of the central government will strengthen Indian currency as well as Indian economy.

Table No. 2 Opinion on the policy of demonetisation

Opinion	Yes		No		Total	
	No.	%	No.	%	No.	%
It helps checking black money	90	90	10	10	100	100
It helps checking corruption	90	90	10	10	100	100
It helps checking financing of terrorism activity	80	80	20	20	100	100
It helps checking price level increase	50	50	50	50	100	100
It helps checking disparity of income	50	50	50	50	100	100
It will enhance the scope of cash less trading	90	90	10	10	100	100
It will increase the value of Indian currency	50	50	50	50	100	100
It helps to strengthen Indian economy	50	50	50	50	100	100

**Source:** Primary Data

**Conclusion:** An ordinary man without political background must accept demonetization policy of the central Government because of the positive aim and for the long term benefit towards our country. But at the same time the precautions and planning of government is a big question. If it was discussed with some persons there may be a chance of spreading the news and tax evaders will use the loopholes. Then the way available to the government was just to print new notes without giving clues towards demonetization. In reality the ordinary people faced some issues because of the lack of planning by the authorities. Now the movement towards cashless economy is in peaceful stage and government must make necessary infrastructure facilities to overcome these issues.

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