

Impact of 'Demonetisation' on Indian economy- Small and Medium Enterprises

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Abstract

Indian economy has the bunch of many micros, small, medium size of business enterprises and of them most of the enterprises is operated as the family business and based on cash transactions. These businesses are operated mostly in the semi-urban or rural areas by the un-organised sectors of them 70% to 80% are not well educated and trained or unable to understand the online banking services. This kind of business requires much liquidity in order to perform their business activity efficiently because their transactions are so small and take place frequently. Besides, the workers of these types of businesses are also works daily basis and require daily cash to meet out their needs. Hence, if the cash is banned accidently, they will suffer much loss and sometime they might be closed due to unavailability of cash. It can be disaster for Indian economy especially for small, medium and micro enterprises and also for them who does not have permanent job and earned their livelihood daily.

Step of 'Demonetisation' has been taken by the government on 9th October, 2016 by the central government by making ban on high denomination i.e. currencies in the form ₹500 and ₹1000 in order to make free the economy from corruptions, decrease the fund of terrorist and bring out the counterfeit currency from circulation. Demonetisation is the process of pulling out the some currency from circulation by the governing body or the ruling authority of a country in order check the corruption, to cater the rate of inflation, to control the increasing demand of currency and stop or decrease the use of cash transaction in respect of income, consumptions and production. In the process of demonetisation the old unit of currency has been rejected and replaced with a new denomination of same currency.

Demonetisation becomes necessary, whenever the government realises that there is some counterfeit or duplicate block currency in the circulation in the country. But generally the authorities avoid taking such kind of actions as it can sometime put the whole economy and society under great inconvenience. It also can be a great challenge for the government, Reserve Bank of India and banking system of the country to handle extra ordinary conditions of the conditions. Though the government have made an appeal from people to give their 50 days to make something better in the country but it would also be challenge for the administration to make peace and calm in the nation. In this paper we wants to show the positive and negative impact of the government with the help of information published in newspapers, debate on the news channel, information given by the Finance minister of India in lok-sabha and Rajya sabha, Governor of Reserve Bank of India and other economic advisers of the country. We also want to suggest some measures to the government to make the decision of demonetisation more beneficial and for the betterment of the economic health of the nation. Through this paper it is also tried to show situation before and after demonetisation.



Legal tender is a medium of payment recognised by a legal system to be valid for meeting out financial obligation of a country. Paper currency and coins are common forms of legal tender i.e. personal cheques, debit or credit cards and similar non-cash mode of payments are not usually considered as legal tender and people may forbid or refuse or restrict to accept payments in these forms in the absence of contrary agreements between parties. When the government withdraw coins and paper currency from circulation or ban to use for such legal tender, it is known as demonetisation. Demonetisation may be said as the process of government or ruling authority of a country to pull out a particular currency or denomination of a particular series from circulation and replace it with new denomination of same value or lower value. Usually this process is taken out by the government to strengthen the economy, keep out the fake currency from circulation, decline the cash transaction in respect of income, consumption and production and cater the rate of inflation. In the process of demonetisation the old unit of the currency is banned from circulation and new unit of currency takes place it. It becomes necessary whenever the government realise that there are sufficient reasons like black money, fake currency and corruption exist in the nation.



Demonetised Currency → Replaced Currency

The real Bharat lives or stays in villages or non-urban areas of the nation and most of them are incapable to make non cash transactions or to operate or handle e-banking transaction properly because of various reasons like low literacy rate of these areas, unavailability or under development of basic infrastructure for e-transaction/e-business, unavailability of banking facilities in every or nearby villages and attitude of bank employees with these people. Hence, they are convenient to make cash transactions to satisfy their needs and if the government pulls out the currency from circulation, it will become great cause for financial, physical positional loss in the society for them. Demonetisation is the act of government to pull out the largest denomination from the circulation and replace it with new legal tender or small

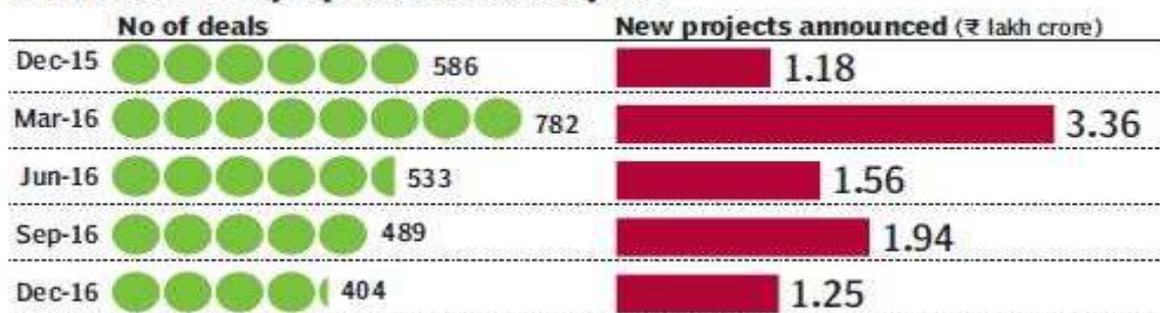
denomination in order to check the black money or to stop counterfeit money and normalise or demolish the rate of inflation. Though the step of demonetisation has been taken on 09th October 2016 for the betterment of the people and economy of the country but it led the economy in deep and become the cause for sorrow for the people as it happen as havoc for the people and it take some life in danger. On account of demonetisation about 150 peoples have lost their life, thousands of lost their job, micro and small businesses have suffered a lot due non availability of cash. The decision also drastically changed the reputation of the banking system and it down the moral of the people who have great faith on the Reserve Bank of India as it would change their decision very frequently. Though the large honest population of the country have in queue to change their demonetised currency or get new legal denomination during 2 month from the date of demonetisation, but some people having reach to the bank employee and other government official enjoy the benefit of their reach. Some clever people looted the common man who did not have account in the bank or did not know to enjoy the banking facilities.

Besides, the decision caused for the downfall the temper of the business of economy especially for those which require much liquidity to disburse their daily business transaction like micro, small and medium size of enterprises. It becomes the havoc for these enterprises as they did not prepare to themselves to meet situations like this some of them have sunk due to unavailability of cash. This step of government in hurry may be sock for those enterprises which carry their most transactions in cash. The government have confidence to believe that the step is required to take suddenly in order to maintain secrecy in the decision so that corrupt, clever and mischievous could not get proper opportunity to take action to convert their black money in white money. But some politician blamed government that member of the political party of the prime minister new it before and they changed their money before the decision have been taken and they present some evidence too to prove their blame. Though the high denomination has been banned from circulation since midnight of 9th October, 2016 but the government give relaxation in some emergency services like medical, railways, roadways and some petrol pump where the decision would have not been applied till 14th November earlier then till 31st December when the government realised uneasiness in the application of decision. Some bad news came from medical sectors as the private nursing homes did not accept the banned currency and it would led the people in danger and some them were lost their life due to unavailability of medical treatment timely in the absence of legal money. Some people also died due to heart attack after hearing the decision of the government and also some were died in queue as the government changed their decision frequently. This decision is to be proved as disaster for the common people of the country as it led them in danger their life and disorder their routines and so many people have lost their livelihood.

There is millions of micro, small and medium size of enterprises in the country which are operated by the un-organised sector. Indian economy is still cash economy as the most of house hold make their transaction in cash. About 85% cash of the country in the form ₹500 and ₹1000 have demonetised from October, 9, 2016 and is to be replaced with new denomination of ₹500 and ₹2000. This sector of the economy have suffered a lot and faced hardship in the operation of their business activities during this period of time due to unavailability of cash and limited access of liquidity with them. The consumptions of house hold also curtained which indirectly result low demand of the product of this sector as the disposable income of the people declined

due to unavailability of cash. Besides, this sector also haunted by the lenders as they demanded their lent money in new legal tender but the owner of the enterprises are unable to pay their debt as the consequence of this the production of the sector also stopped. Hence, the sector did not require labour force so a large no of people has lost their job from this sector. As per the report of labour bureau of India, Feb 2017 about 20000 employments have declined in the last quarter of calendar year 2016 and in on-going quarter about 40000 employments declined as compare to previous year 2015 in eight major labour intensive industries of the country. During the 3rd quarter of the financial year many changes are seen in the Gross Domestic Product (GDP) of the country also. International Monetary Fund decline the estimated GDP growth during the financial year and new estimation is made to 6.5% as compared to earlier 7.5%.

New investment proposals see a sharp fall



Auto, two-wheelers sales dip



The quantity theory of money also states, “if the total amount of money goes down keeping velocity constant, the nominal value of output will go down.” Though the inflation rate in the whole sale market has declined for some time but it again rise due to increase in the prise of the diesel and petrol in the country. The decision has adversely affected the farmer of the country as the demand raw product has been low in the market. Seasonal vegetables are sold at very low price that could be the cause for loss for the small farmers and they face great inconvenience due shortage of cash as they cannot bow their field watered their fields. The decision led the economy in danger as the growth of all the sector of the economy has fallen down.

Historical and legal facts of demonetisation in India- the history of demonetisation in the country has dated back to the rulers ruled in the 2nd century and prior or from the origin of states. As the rulers had changed in the country, they demonetised the old currency of their states and replaced it with their new and own named currency. Some the instance can be seen in Indian ancient and medieval history when the

Mughals ruled or before them Ashoka and Chandra Gupta Maurya time also. When English rulers came in the country, they also demonetised the old Indian currency and replaced it with new English currency, some of coins in the name of Rani Victoria and other rulers still would be seen in the museum. Latest demonetisation have made in 20th century in the country some them are as follows-

1. On 12th Jan 1946, ₹500, ₹1000 and ₹10000 notes were declared invalid as legal tender and new denomination of ₹1000, ₹5000 and ₹10000 again came in to circulation from 1954 in place of demonetised currency.
2. 2nd one demonetisation of 20th century was taken place after independent India, on 16th Jan by the sitting prime minister of Janata Party, Shri Morarji Desai and declared as illegal tender of high denominated currency of the country in the form of ₹1000, ₹5000 and ₹10000 notes. The Reserve Bank of India introduced new bank notes of ₹500 in the country in 1987 to contain inflation.
3. The 3rd one demonetisation is taken place on June, 30 2011 when the lower value of coins i.e. 1, 2, 3, 5, 10, 20 and 25 paisa has been withdrawn from circulation. After sometime coins of 50 paisa, ₹1 and ₹2 also withdrawn by the government but coins of ₹1 and ₹2 replaced with new coins and also new ₹5 and ₹10 introduced in the economy.
4. On 8th November, 2016 present sitting prime minister Mr Narendra Modi has announced ₹500 and ₹1000 as illegal tender from midnight of 8th November, 2016 in order to check the black money, restrict the funding of the terrorist, cater the rate of inflation and corruption and stop the counterfeit currency from circulation. The government announced to demonetise the high value of currency and replaced it with new denomination of ₹2000 and ₹500 from coming days and alerted the whole administration and banks to handle misshaping situations to be arise due to lack of sufficient currency as about 85% of total currency of the country has banned since 8th October 2016.

Legal facts of demonetisation of currency are to be seen in **section 26** of the **Reserve Bank of India Act, 1934**. According section **26(2)** of the act, the Union Government has power to declare illegal tender to any of the denomination in the circulation issued by the Reserve Bank of India, at any time subject to after recommendations of the Board RBI. But the demonetisation of 1978 was come in to force under a special legislation of the Union Government after passing a **High Denomination Bank Notes (Demonetisation), Act 1978**. The demonetisation of 8th November was taken place by the government after the recommendation of the RBI board and making preparation for the overlapping situations by opening crores of accounts in the banks under **JAN-DHAN YOJANA**. The government also appealed from people to give 50 day in order to normalise the situations for the betterment of future of the country and the people show their patience during the said period. However, the decision of demonetisation has badly affected a lot to the citizen of the country as they are not ready to face such kinds of problems and in the implication of the decision as the government frequently changed its decisions. During first **20** days of decision the situations were too critical as the government has changed its decision very frequently so the people were very confused and think what the government wanted to do. After 50 day the situation has been somehow normalised but still some problems are existed in the economy as some micro, small and medium types business have stopped due to

unavailability of cash and raw material and thousands of people have lost their job due to demonetisation and about 150 people also lost their life due to unavailability of medical treatment at time or in queue. During first 20 days following facts are to be noticed-

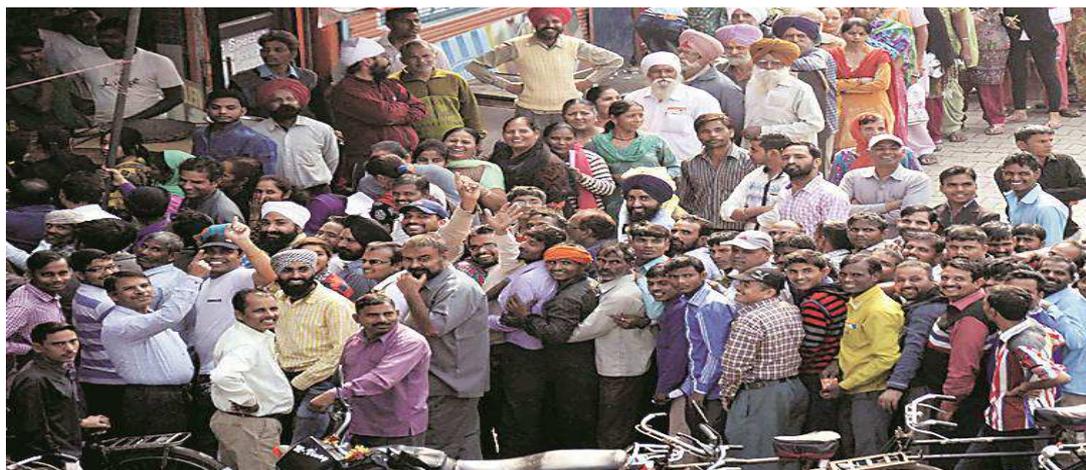
Date	Announcement of the government
8 th November	PM declared ₹500 and ₹1000 notes invalid as legal tender from midnight of 8 th November. Exchange of cash up to ₹4000 allowed from bank counters. ATM withdrawn limited to ₹2000 in a day and ₹10000 in a week and ₹4000/day and 24000/week from counters. The government also allowed demonetised currency in some emergency services like hospitals, railways, roadways and post office and petrol pump. The house tax and electric dues are also allowed to be paid by old demonetised currency till 14 th November, 2016.
9 th November	Banks remained shutting for a day to make preparations to manage the situations to be happened after step of demonetisation. Some instructions also given to the bank employees regarding exchange and deposit of demonetised currency from bank counter.
10 th November	Bank reopened and a massive queue as expected earlier was seen on the gate of bank to exchange ₹4000 and deposit their money in their bank account but ATM could not be still operated due some reasons that brought the situation more critical.
12 th November	Some bad news came from public as some people died in queue and also in hospitals due unavailability of cash. The Sensex also registered the biggest fall in day of previous 9 month.
13 th November	Some ATM functioned and withdrawn limit rose to ₹2500/day and exchange limit also rose to ₹4500 but weekly limit still remained same. Most of the ATM did not function due unavailability of the cash. The finance minister said that the new currency ₹2000 is not the same hence the ATM required recalibration to adjust the note. Some other bad news of the death of few other people came and few were lost their job as their employer stopped production.
15 th November	Reserve Bank of India and finance minister instructed the bank to apply indelible ink the finger of exchanger in order to stop the freighted exchanger with a view to provide available currency would to the mass population of the country but it become the cause concern for those who still did not exchange any amount from bank. The Election Commission of the country arose some restriction to use the indelible ink on the finger of the citizen of the country as the elections would be come in near future in five states. The use of demonetised currency still is allowed in some emergency services.
16 th November	Parliament session began and the opposition parties raised the issue as expected and call the explanation of the prime minister about the decision as the millions of poor people suffering from the decision. The opposition leader Gulam Navi Azad raised the

	question of 50 death caused by the demonetisation. The ruling party tried to save its prime minister.
17 th November	The government again changed the rule and fixed the limit of exchange to ₹2000, though the ATM and counter withdrawn limit would remain same. 2 nd day of parliament session also dismissed due very noise and the opposition still stand its decision. Some parties make protest to withdraw the decision.
18 th November	Some political parties and other social welfare societies sued against the decision but high court denied accepting the case. Supreme court of the country raised questions and said many of 'frantic' due to demonetising. The parliament session continuously suffered in 3 rd day also and millions of money has wasted.
22 nd November	RBI reported that banks have received ₹5.3 lakh crores in deposit after demonetisation. It was the highest deposit during 15 days of time so far. Bad news continuously came from the public as few deaths again caused due to demonetisation and some people are also arrested with black money and government employees also found in barbering.
24 th November	The government again changed the rules regarding deposit, exchange and withdrawn from bank and ATM. The government announced that the demonetised currency would not be exchanged from counter and it only can be deposited in the bank account. But use of old currency in emergency services shall remain the same.
27 th November	The RBI, Governor, justified step of demonetisation and stated that the new notes are difficult to counterfeit but some news came in this regard. The RBI also announced that the depositor of ₹5000 or more have to present the proof of the money, however it soon withdrawn by the RBI.
15 th December	The government decided to make complete ban on the circulation of old ₹500 from midnight of 15 th December, 2016, even the emergency services like medical charges, electricity dues and water bill will also not be paid by the old currency. The income tax department also arrested five people from a hotel at Karol bag New Delhi and collected about ₹9 crores out of which ₹3.62 crores new currency. Amongst 3.62 crores ₹2.25 crores collected from Yashwantpur, Bengaluru and from an old lady who protect them with dogs. Prime minister said their priority to free the Indian economy from black money. He also said that to enhance employment opportunity and new is the goal of government. He again said that present time is the 'era' of changing economy, Indian economy is shifting from cash economy to cashless economy and he invited the Asian industrialist to invest in the country and assure them for the ease of business. The government also take step in this regard and in order to promote cashless campaign it allowed 0.75% discount on the purchase petrol by debit card and other cashless mode of payments.

Adverse impact of demonetisation on Indian economy- demonetisation by itself is not a panacea or universally good solution of the economic problems like corruptions, inflation, and circulation of counterfeit currency and generation of black money in the country. Hence most of the country hesitates to take such kind of action as it results the economic backwardness and very serious inconvenience have to bear by the people of the country. Though most of the country of the world functions their more than 80% transactions in cash but their economic development is better than that of other. Even some developed nations are also meeting their transactions by cash. In its first reports after demonetisation, *the World Bank said, "Indian growth is estimated to have decelerated to a still robust 7% (in fiscal 2016-17 ending on March 31st 2017), with continued tail wind from low oil prices and solid agricultural output."* The government also revised its estimation of GDP for current fiscal about 7.1% in place of its earlier estimation of 7.6% for 2016-17.

International Monetary Fund (IMF) had also cut India's growth forecast in Jan, 2017 for the current year by 1% at previous year levels and dropped it by 0.4% for next fiscal year 2017-18, primarily due to demonetisation move taken by the *Indian Government* on 8th November, 2016. It would bring forecast growth for 2016-17 down to 6.6% against the earlier estimation of 7.6% in economic survey 2016-17 that will be utmost crucial for the future of the country. Some other economist also estimated the revised growth rate of the country and expected it near about 7% due to demonetisation.

On the employment perspective, the decision of demonetisation has been adverse as millions of countrymen have lost their job due to step of demonetisation. As per the reports of **labour bureau of India**, more than 40000 people have lost their job in the third quarter of 2016-17 and more than 20000 jobs were lost in Jan 2017 in eight labour intensive industries. Besides organised sector, millions of people also lost their jobs after demonetisation.



To make decision fruitful about 4000 million additional money has to be spend on the printing of new valid currency, collection of demonetised currency and recalibration of ATM's in order to adjustment of new denomination of ₹500 and ₹2000 as its size and shape is different from older one. Bank officials also have to devote extra time in presumable situation which effected their working and efficiency and they have to face so many problems due frequently changes in the

rules regarding deposit, exchange and withdrawn limit. Besides, as per the news published in 'Danink Jagaran' daily newspaper in November, 2016, 8 bank employees lost their life in an accident in Kanpur.

As per the reports of different newspapers, television channels and other print and visual media and during the working of parliament, it is also reported about 150 deaths in queues and hospitals due to demonetisation that was a disaster for their families. Many other people lost their life in commencement of suicide due to unavailability of cash and some marriage has been postponed and broken due lack of cash that causes the depreciation in social prestige of the people.

The government and Reserve Bank of India also lost their credit in the common people's eyes as they change their decision frequently which proves it immature decision of the government. Some questions also put up on the intension of the government as the only common people stand on queue while the people having approach exchange their cash from banks directly which created some conflicts between public and police. Some news regarding lathi charge and other misbehaviour of police came into knowledge during 50 days period of time.

Farmer of the country also suffered due to unavailability of cash. They cannot cultivate, showed and watered their fields timely on the consequence of it the productivity of agricultural land will also be affected in future. The farmer also suffered due to demonetisation as their products like vegetables have also been sold at very low price and some bad news also came from UP and Punjab where farmer destroyed their produce due less demand. Besides farmer, some people who depend on the agriculture and allied sector have also suffered after demonetisation. Agricultural as well as Mandy workers have lost their jobs due to demonetisation.

House hold sectors also affected badly as the demand of this sector have fallen down due to demonetisation. They cannot satisfy their daily needs and have to cut or shift their needs for few days as the sufficient cash have not available. Some people also cheated and looted by the clever people as they exchange their old currency at 80% or 70%, it create dissatisfaction in the common man. Though the decision is taken to check the corruption, stop the counterfeit currency from circulation that was 0.02 % in of total cash in circulation and stop the funding of terrorist but some adverse news came in this regard as the some bank employees arrested for making corruptions, counterfeit currency came in the market and some new currency also found from terrorists.

The economic loss is also estimated @1% total valued about 14000 crores for the form of printing new currency, preparation of logistics, bank transactions and recalibration ATM's. Economic loss in the form weighting people in the queue estimated about 150 deaths and 600 crores of monetary loss due to stoppage of work. As the tax rate in the present scenario is around 90 to 95%, so people were interested to show their undisclosed money and hence they tried to bribe the income tax officials, bank officials and other government and nongovernment officials to convert their black money into white which created corruption in the country.



The manufacturing sector of the country is badly affected by the step of demonetisation of the government as the growth of this sector show the adverse growth in the month and recorded 0.4% in December, 2016. The situation of this sector during last four of the current financial has been very critical and recorded growth rate below zero. All India Manufacturing Organisation (AIMO), also projected a 60% fall in employment in this sector and about 50% loss in revenue by the end of fiscal 2017. According to AIMO, India's largest manufacturing organisation- micro, and small industrial segment in the country has suffered about 35% loss in jobs and around 50% dip in revenue of the sector after 50days of demonetisation. The AIMO represents over 3 lakh micro, small medium and large scale industries of the country in manufacturing sector.

The AIMO also reported about 35% drop in employment and 45% loss in revenue in the medium and large manufacturing industries engaged in infrastructure development particularly among road constructing industries. There may be future decline in job and revenue of these industries around 45% by the end of March, 2017. Besides road construction industries about 30% loss in employment 30% decline in revenue also reported by the medium and large industries engaged in export activities during 50 days of demonetisation. This fall may also be risen by 35% and 45% respectively in job and revenue by the end fiscal 2017.

In terms of employment the biggest hit of demonetisation could be seen amongst unskilled labour of the country. As per the report of times of India, due to demonetisation of high value of denomination (₹500 and ₹1000) in country there may be adverse impact on India's lager ceramic cluster in Morbi, Gujarat. Because of crisis of liquidity, the major ceramic tiles manufactures have shut the doors which resulted a great unemployment amongst unskilled labour particularly north region of the country. Most of economist of the country states that the demonetisation has badly affected the employment during last three month because of demonetisation in November, 2016. Most unemployment could be seen in the SME's as their most transactions take place in cash. Ratnakar Vikas Sangh, the largest diamond workers group of Surat demanded unemployment allowances for their 20000 workers employed in small diamond units in the month of December, 2016. Besides, thousands of workers of UP and Bihar employed in Maharashtra, Gujarat and Karnataka have returned their home as they have lost their job during last three month.

As per the report published by Ministry of Commerce and Trade on 9th February 2017, the growth rate of industrial production was around 5.7% in November, 2016 which was about 2% lower in overall manufacturing sector of the country

and as compared to 1.9% decline in the previous year. The fiscal year 2016-17 has been very bad for the manufacturing sector as this sector recorded 0.7% decline in the month August, 2016. Besides the industrial product, the manufacturing consumer production likes fridge, television and washing machine etc. also declined by 10.3% after the act of demonetisation while the growth rate of this sector recorded in the corresponding period by 16.6% in previous year. If we look the overall performance of the manufacturing sector after demonetisation, 6.8% decline in growth rate has been recorded in the industry as the 17 out of 22 consumer based industries recorded negative growth.

The finance minister, Mr Arun Jetli also admitted it and said, "we cannot take the data of November and December, 2016 as the standard for manufacturing sector for the coming period as both the month have affected by the demonetisation. The situation of manufacturing sector remained critical as the banned currency would not be used in manufacturing sector." He further said, "the real picture of manufacture sector will come soon in next three to four month and then we can make the calculation of the actual impact of the demonetisation on this sector."

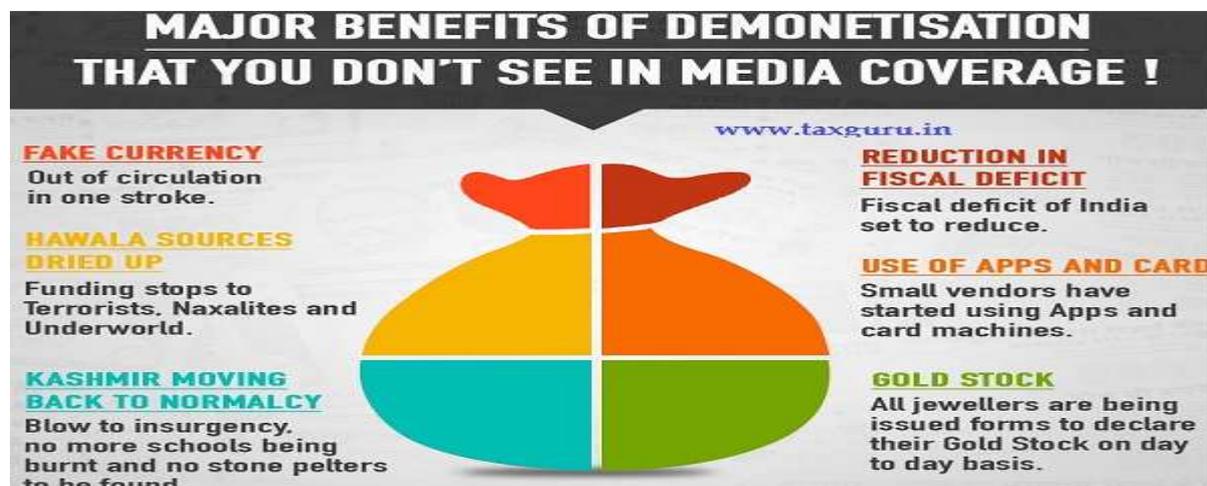
As per the economic survey of India (2015-16), India's trade deficit declined to \$106.8 billion during April 2015 to January 2016 as compared to \$119.6 billion of the corresponding period of previous year. The Current Account Deficit (CAD) was also limited to 14% of GDP from April to September 2015 while the reserve stood at \$351.4 billion as Feb 5, 2016. During current financial year (April to Jan) the growth in India's export declined year on year by 17.6% and stood at \$217.7 billion and trend of imports also declined by 15.5% during the said period and stood \$324.5bn. The care rating agency said the country's trade deficit which improved by 25% in the first 9 month of F.Y. 2016-17 as compared to last previous year and would be in the range of \$100-110bn by March 2017.

During April to December 2016 the trade deficit was at \$76.37bn as against \$100.8bn in corresponding period of last year. Exports were marginally in the positive territory in the first 9 month of fiscal 2016-17 while continue declined by 7%. The government data shows India's trade deficit narrowed to \$10.37bn in December and provisioned \$13bn a month ago.

Favourable impacts of demonetisation on Indian economy- though the decision of demonetisation badly affected the economy particularly micro small, medium, and unorganised sector of the country but it left some positive impressions on the economy and millions of people showed their faith with prime minister and contributed a lot for the betterment of future of the country. People believed that everything will be correct in future and the decision of demonetisation required for the country to check the corruptions, black money and terrorist attack.

In his budget speech on 1st Feb, 2017, the finance minister, Mr Arun Jetly said the demonetisation has created new norms in the Indian economy which will make economy bigger, clean and transparent. He mentioned that the demonetisation move is a disruption and consider as biggest move for the betterment of country, economy and society. This move is now considered as the mother of all reforms in the country and it has started showing its impact in a very short term period. Though the reform brought some difficulties or hardship of life for the common

people of the country but I hope that it will pass soon and the people of the country seem to be much passionate about this reformative movement. Even the hardship of life, they stand with decision of prime minister and ready to bear any difficulties in the expectation of better future of the country. Some positive results are to be seen after demonetisation which is as-



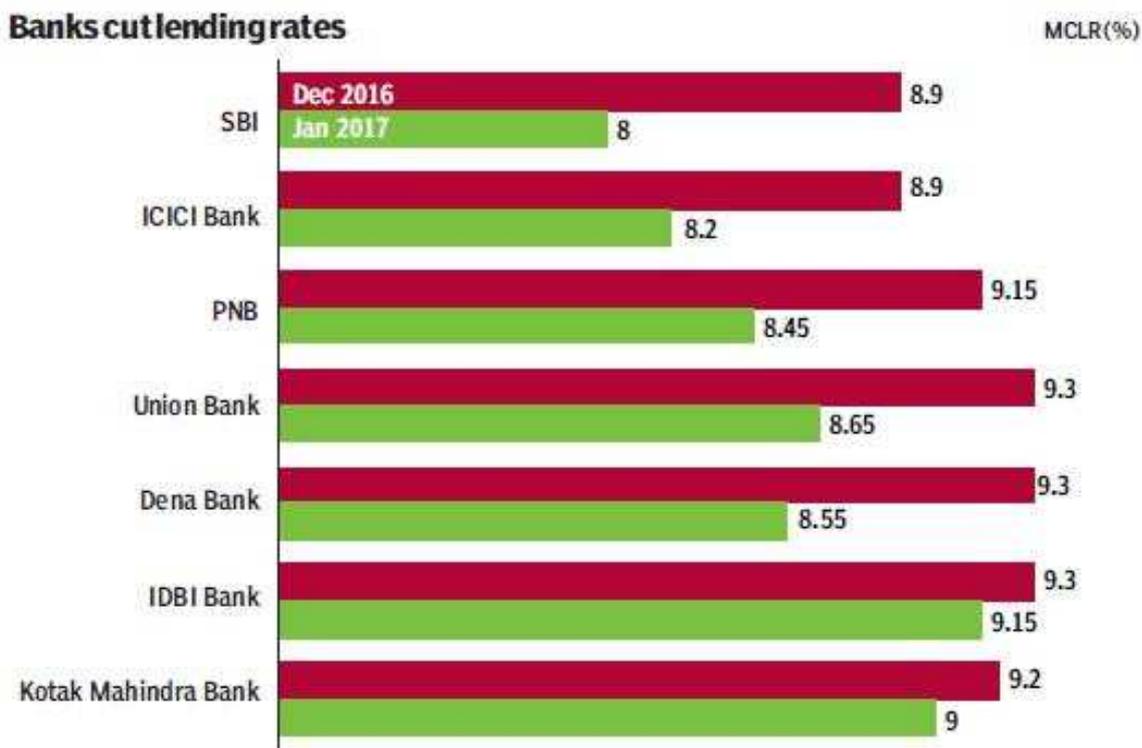
Inflation rate in both retail as well as whole sale sector declined during last three month and has been below 5% and 2.9% respectively in retail and whole sale price based inflation. The finance minister, Mr Arun Jetly said, "the outlook for the year as a whole is for the CPI (Consumer Price Index) inflation to be below the RBI's target of 5%, a trend likely to be assisted by the demonetisation." The whole sale price based inflation averaged around 2.9% during April to December.

The corruptions in the government offices have come down after the step of demonetisation. Only a few cases came into knowledge regarding corruption after November 2016, while so many cases were published in the newspaper daily. Besides corruptions, thefts, chain snatching and other immoral acts are also fallen due to demonetisation. The problem of black money had become very serious for the country and it had seemed to be cancer for the country and society which created a gap between poor and rich people. In the country black money was estimated about 20% i.e. ₹3 lakh crores out of ₹17 lakh crores of total cash circulated in the country. After the demonetisation all the black money either deposited in to bank or destroyed by its holder in the fear of imprisonment. Besides black money counterfeit or fake currency for Indian economy. Though it is about 0.2% of total currency circulated in the country i.e. about ₹400 crores existed in the form ₹500 and ₹1000 notes. As per the report of Indian Statistical Institute (ISI) about 70 crores fake currency injected in the total currency of the country every year.

The cash deposit in the banks have increased to about 14 lakh crores after the demonetisation which enhance the possibility of cheap loan facility in the country that will result the increase the economic growth of the country in near future. Reserve Bank of India declared on 22nd November 2016, bank had received ₹5.12 trillion worth of cash deposited until 18th November and it may estimate that the deposited money will boost the GDP of the country 0.5-1.5% in near future. State

Bank of India also declared that it had received about 1.5 trillion worth of cash deposited till December, 2016 it was highest deposit in a month.

It is estimated that the bank deposit will enable it to cut down the cost of loan fund as the high deposit will replace the high cost of borrowing that reduce overall cost of funds. Some commercial banks IDBI, ICICI, HDFC and Canara bank cut their bank rate up to 1% which creates a hope for the growth of real state sector and manufacturing sector of the country. The government is also planning to fix the cash holding limit by individual and the industry which improve the velocity of the cash in the economy.



Demonetisation has badly affected ‘Hawala Rackets’ i.e. the method of transferring money without any actual money movement. The intelligence input indicates that hawala route is mainly used as a means to ease money laundering and terror funding. These transactions slowed down due to wiped out of currency from circulation. The estimation of counterfeit currency that used in illicit activities including funding of terrorism will be declined in near future.

The government promised to provide subsidized loans to the poor ‘Jan-Dhan Account Holders’ that will enhance the share of Jan Dhan Accounts which was under 1% before demonetisation. Prime minister also said in his speech at Goa that we are trying to customised poor people to banking system. It also enhanced the tax revenue of the country as the holder of accounted money disclosed their money which chargeable comparatively at greater rate. Enhanced revenue in the form of tax will certainly decline the Current Account Deficit and a shift in the economy from unorganised sector to organised sector will help the Goods and Service Tax. Besides, the banned currency enhanced demand for government bonds that will enhance the cash deposit in the bank and will lead to higher SLR (Statutory Liquidity Ratio).

The demonetisation also has some favourable impacts on Kashmir Valley problem and antinational activity catered due to wipe out of currency supply in this region. An intelligence report suggests that the separatists received ₹1000 crores annually from Pakistan for causing unrest in the Valley. The money is transferred through hawala rackets which is now completely choked out. The Naxalites and North-East insurgency have also affected badly and the decision is proved to be 'financial emergency' for them. It is estimated that their annually turnover was more than ₹500 crores through terror, NGO's, forgery, extortions and local taxes which was used for recruitment, arms, medicine, food and shelter for naxalites. The decision also cut the frequency of other crimes like chain snatching, theft, fraud and dacoit etc. in many places of Delhi, Pune, Mumbai, Lucknow and Kanpur etc.

Conclusion:- demonetisation of ₹500 and ₹1000, though taken as the reformative action for the betterment of the people, society and the economic strengthen in the country but it brought so much ups and down in the Indian economy during last three- four month. Due to demonetisation people have to bear so many hardships and it caused a lot of economical as well as physical loss for the society as about 150 people has to lose their lives and about 50000 jobs. It has also witnessed so many irregularities amongst the decision of the government, banks and RBI. World Bank, International Monetary Fund and other Rating agencies downed India's rating in the world's portal and also cut their estimation about its growth rate in future. The country also has to lose so many opportunities which were created by the government and go back about three to four years.

The country, in spite of so many difficulties set a greatest norms or standards for the whole world as the citizen of the country showed great patience in so critical situations and stand with the decision of the government. They help each other to meet out their problems. Some positive signs could also be seen as the problem of black money and fake currency is declined due to demonetisation. The economy also witnessed for drastic change from cash to cashless economy and antinational activities of some separatists also come down after demonetisation. The economy is also recovering from worst situation and is now preparing for the growth. Some good news for the people also came from banking sector as the lending rate of the bank cut by 1% by the most banks. As per the latest data issued on 1st march, 2017, by Central Statistical Organisation of the country, the growth of economy would have re-estimated to remain at 7.1% during current fiscal year 2016-17. According to Finance Ministry of The country, note ban have not much affected the economy, however the 'Core Sector' of the country have badly affected by this decision specially Fertilisers and Cement industries. This sector has show downward growth during the month of Jan, 2017 which has been 3.4 as compared to 5.6% in the month of Dec, 2016. The government also expect that the 'Per Capita Income' of the country would have to rise by 10.2% and might be reach to ₹103818 till March 2017 as compare to ₹94178 during 2015-16.

Demonetisation, though the reformative step of the government in order to slow down the inflation rate, check the corruptions from societies and government agencies, stop the counterfeit currency from circulation and cater down the terrorists and naxalites attack on the country, but so many challenges still ahead to achieve the goal of the government. There are so many challenges exist in the

operation of cashless transactions as there is much requirement of reformative actions required in the infrastructure development for proper operation of it. Low literacy rate, low reachability of banking facilities particularly in the rural area of north east region of the country and low penetration rate of telecommunication facilities at lower price for the common people of the country are some main hindrances in the shifting of economy from cash to cashless economy. After 100 days of demonetisation some problems are still exist in the economy particularly for micro, small, medium and house hold sector of the economy.

The government should take some immediate actions to chock-out the problems caused due to demonetisation. It should make some alternative arrangement to keep out people, society and economy form the problems as still terrorist problems for the country, industrial growth is falling and employment are also stagnant. The government should take some action that can be seen on the real ground not on the paper and speech otherwise the economy will back so many years. The government also will have to take some initiatives to washout the problem of black money still existed in the country and for the progress of small, micro, medium and household sector because our country is still depends on these industries. About 150 people lost their lives and thousands of people lost their jobs due to demonetisation the government will have to assure the people of the country that not to repeat such kind of hardship and people of the country get the benefit that would arrived from it if any. At last we come to a conclusion that the step of demonetisation by the government whether will be fruitful for the people, society and country or not. We have to wait and watch the real impacts on the country as these impacts are temporary and the situation will change in long run period. We all hope that it will result positively for the country.

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