

# DEMONETIZATION: AN ECONOMIC ALTERATION IN INDIAN ECONOMY UNDER THE HEADSHIP OF NARENDRA MODI

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## ABSTRACT

There are numerous reasons why countries demonetize their nearby units of cash. A few reasons incorporate to forget about expansion, to get over defilement, and to dishearten a money framework. The procedure of demonetization includes either presenting new notes of a similar cash or totally supplanting the old money with new money. Indian government embraced demonetization on 08 November 2016 to handle with dark cash and make India a cashless computerized economy. According to the yearly report of Reserve Bank of India of 31 March 2016 that aggregate cash notes available for use is 16.42 lac crore of old Rs. 500 and Rs.1000 banknotes. According to the report of RBI dated on 14-12-2016, the aggregate sum of old notes of estimation of Rs. 12.44 lac crore has been saved by the clients till 10-12-2016. Banks began tolerating stores from 10 November however inside a time of 15 days' roughly half cash has been gotten by the banks.

Key Points- Demonetization, Cashless Transactions, Cash Crunch, Digital Economy, Reform.

## INTRODUCTION

Economic alterations in India began on 24 July 1991. After autonomy in 1947, Indian clung to communist approaches. Endeavours were made to freedoms the economy in 1966 and 1985. The principal endeavour was turned around in 1967. From there on a more grounded variant of communism was embraced. The second real endeavour was in 1985 by Prime Minister Rajiv Gandhi. The procedure stopped in 1987, through 1966 style inversion did not happen. In 1991 after India confronted an adjust of instalments emergency, it needed to promise 20 tons of gold to Union Bank of Switzerland and 47 tons to Bank of England as a feature of a bailout manage the International money related reserve.

Demonetisation has prior happened two times in the Indian economy, the two times the objective was to battle tax avoidance through dark cash. The main demonetisation happened in 1946, amid the lead of the between time government under Jawaharlal Nehru. It was attempted to focus on the expense sidestepping business partnerships which were concealing the tremendous benefits they had made by providing the Allied powers in World War 2. The move was not seen too decidedly by the then Governor of the RBI, Chintaman Deshmukh. He commented that the administration would be fortunate to get Rs. 10 crores as duty after the execution of demonetisation.

The second demonetisation occurred in 1978 under the Janata Party government that had come into control after the annihilation of the Congress party in the decisions soon after the Emergency of 1975-77. The procedure included the demonetisation of Rs. 1000, Rs. 5000 and Rs. 10000 notes. The goal was, once more, to battle tax avoidance through dark cash. As in 1946, it didn't appreciate a specific achievement.

The administration's expressed target behind the demonetization approach are as per the following; to begin with, it is an endeavor to make India debasement free. Second it is done

to check dark cash, third to control heightening value rise, fourth to stop stores stream to illicit movement, fifth to make individuals responsible for each rupee they have and pay wage assessment form. At long last, it is an endeavor to make a cashless society and make a Digital India. There is a foundation to the present choice of demonetization of 500 and 1000 rupee notes. The administration has made couple of strides toward this path much before its November 8, 2016 declaration. As an initial step the legislature had encouraged individuals to make ledgers under Jan DhanYojana. They were requested to store all the cash in their Jan Dhan accounts and do their future exchange through saving money strategies as it were.

The second step that the legislature started was a duty affirmation of the pay and had given October 30, 2016 due date for this reason. Through this technique, the administration could clean up a tremendous measure of undeclared pay. In any case, there were numerous who still stored the dark cash, and so as to handle them; the administration declared the demonetization of 500 and 1000 money notes. The demonetization approach is being viewed as a money related change in the nation yet this choice is full of its own benefits and negative marks.

### OBJECTIVES OF PAPER

- To study the impact of Demonetisation on common man of nation.
- To study the impact of Reform on Agricultural sector and farmers of rural India.
- To study the impact of Reforms (Demonetisation) on Economy of India.

### RESEARCH METHODOLOGY

The paper is based on secondary data. The data has been collected from internet, articles newspapers etc. Graph and percentile method has been used to analyse the data.

### DEMONETIZATION:

Demonetization is an age's noteworthy affair and will be one the monetary occasions of our chance. Its effect is felt by each Indian national. As the nation says farewell to the old Rs. 500 and Rs. 1,000 rupee notes and with confinements on trading cash and tax assessment on high measures of stores, Indian economy had looked through some genuine stirs. In any case, how is this going to influence the basic individual of India in the short keep running and in addition the long run. People in general questioned executive's arrangement and rebelled against the terrible readiness they looked in such manner.

The progressions invited a considerable measure of inconvenience to the general population in the first place yet everything appeared to be justified regardless of that, to the extent the long haul impacts were concerned. There was a farthest point to the per-capita withdrawal and that was a tremendous issue for some individuals, basically on account of their own prerequisites which included marriage, wellbeing, property and so on. During the time spent checking dark cash the pure ordinary citizens and poor had appeared to be most endured like, those individuals who don't approach post workplaces and banks had appeared freezing for trading notes. Those families who had weddings and other exceptional events are discouraged because of absence of cash a large number of weddings have been dropped which affected the sellers who supply for those weddings.

Additionally, ranchers have confronted part of issues since they could never again bear to offer them reap from Kharif harvest or sow Rabi crops. Likewise, many road merchants have loosed their business in light of the fact that would prefer not to part with money or can't roll out improvement. Individuals have decreased spending on the grounds that the banks are apportioning money. Numerous Daily wage specialists can't look for some kind of employment. Additionally, Demonetization directly affects parts managing money—merchants, auto rickshaw proprietors, cab drivers, every day breadwinners and little dealers. The Indian framework essentially works on money; thus less trade implies interruption out the stream. In this manner, the administration's progression to check dark cash and phony money has hit hard to needy individuals the most. Be that as it may, as the time passed the things backed off a bit. The lines in the banks abbreviated, ATMs were loaded with cash, new money flowed and all these standardized the circumstance. All things considered, this change

will hugely affect the economy. It will require some investment for things to wind up ordinary again and until further notice, it is only a play of time till we become more acquainted with whether it was a better than average choice or an exaggerated ramification.

#### **IMPACT ON COMMON PERSON:**

The demonetization of Indian cash has made various hardships to regular individual yet in long way it has part of points of interest.

1. To the degree of punishments forced by the Income Tax office on the illicit transformation of dark cash into white cash, the income to the administration will increment in the quick future.
2. Unaccounted monies held as money which was not beneficial will end up gainful as it enters the lawful framework.
3. Fake cash available for use which was a continuous hazard all finished India will stop to exist with prompt impact.
4. Subsidizing of psychological militant and other illicit exercises will be abridged as they by and large are financed by dark/fake cash.
5. To the degree the dark cash held by the political gatherings is flushed out, the races sooner rather than later will be clear and more straightforward.
6. With colossal money at the transfer of the banks, the getting of cash will get less expensive giving impulse to monetary development.
7. Government can benefit funds at bring down rates and accelerate the infrastructural spending making gigantic openings for work.

#### **IMPACT ON FARMERS OR ON AGRICULTURE:**

Demonetisation has influenced each Indian, yet it has hit the rural segment gravely. Farming in India represents 50 percent of the workforce. Ranchers, who are the foundation of our economy, were extremely influenced by the note demonetization of 8 November 2016. Horticulture is affected through the information yield channels and in addition cost and yield criticism impacts. Deal, transport, showcasing and appropriation of prepared create to mandis is overwhelmingly money subordinate. Ranchers endured a misfortune because of across the nation money deficiency and a fall in the interest for vegetables in discount markets. Ranchers were not ready to buy inputs like seeds from advertise. They were utilizing old seeds from the most recent year gather and not acquiring new quality seeds from advertise. In northern Indian expresses, the harvest of rice was readied. A portion of the agriculturists have sold their yields, and a few was simultaneously.

The reality of the matter is that nearly trims are sold in real money the exchange which has been done is money is to be kept in the banks and can be pulled back as needs be. The shoppers of country agriculturist aren't as progress as the urban working class, which can be effortlessly made do with a next to no measure of money. The issue of the demonetization is generally connected with the provincial territories of the nation have lesser number of banks and ATMs contrasted with the urban regions and semi-urban regions.

The issue was not the unavailability of the banks and ATMs, but rather the farthest point on money which can be pulled back. An agriculturist can take multi day out from his bustling calendar and figure out how to go to bank and recover the money, anyway the point of confinement on the sum withdrawal compels him to do that over and over and the banks in rustic regions are about 20 or 30 kilometres the streets in provincial territories can influence it to look like 50 kms. Rehashing that 4 or 5 times in seven days can be comprehensive. In any case, the breaking point has been surpassed than previously and government is taking other important conventions which would guarantee that the agriculturist does not need to confer suicide. In the event that the wage of peon working in taxpayer supported organizations and agriculturists of our nation is looked at since 1964, the wage of peon has expanded 1000 % and that of ranchers by small 19%. Other than those negative impacts of demonetization there is additionally any expectation of each Indian agriculturist upon demonetization that this recorded advance will concrete our economy and furthermore productive for our nation in future.

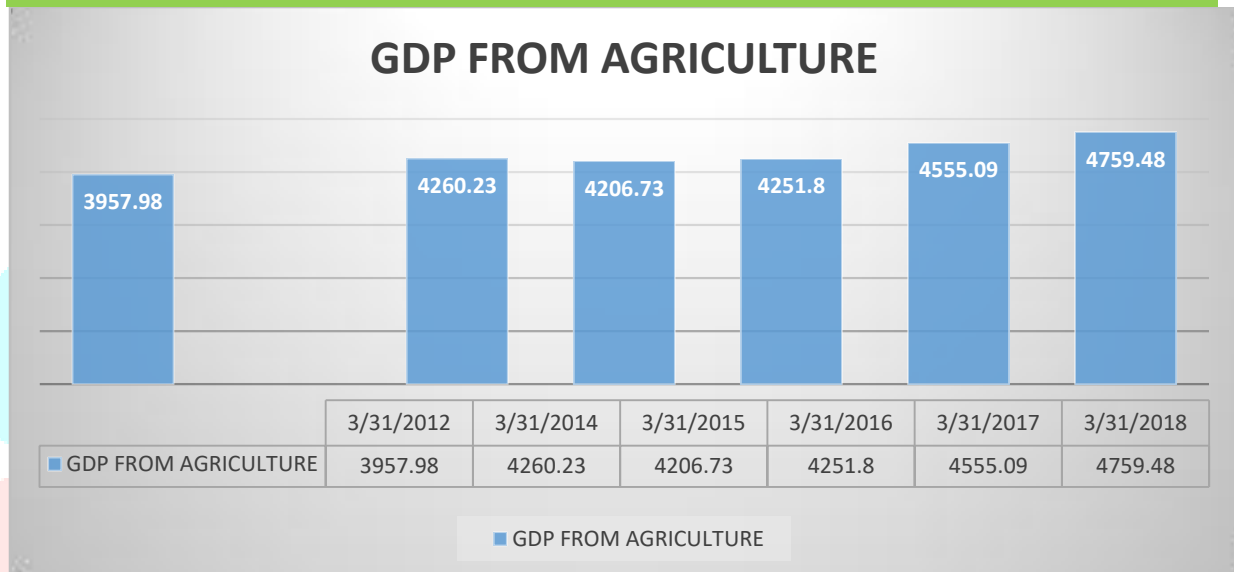
**INDIA GDP FROM AGRICULTURE**

GDP from Agriculture in India decreased to 4759.48 INR Billion in the first quarter of 2018 from 5666.82 INR Billion in the fourth quarter of 2017. GDP from Agriculture in India averaged 4052.74 INR Billion from 2011 until 2018, reaching an all-time high of 5666.82 INR Billion in the fourth quarter of 2017 and a record low of 2690.74 INR Billion in the third quarter of 2011.

**TABLE: 1 GDP FROM AGRICULTURE IN INDIA**

YEAR	GDP FROM AGRICULTURE
31-03-2012	3957.98
31-03-2014	4260.23
31-03-2015	4206.73
31-03-2016	4251.8
31-03-2017	4555.09
31-03-2018	4759.48

**FIGURE:1 GDP FROM AGRICULTURE IN INDIA**



**THE IMPACT OF DEMONETIZATION ON ECONOMY OF INDIA:**

India has a mixed economy. The economy of India is the sixth-largest economy in the world measured by nominal G.D.P and also the third-largest by purchasing power parity. The country is known as a newly industrialised country, as one of the G-20 major economies, a member of BRICS and a developing economy with an average growth rate of approximately 7% over the last two decades.

**CONCLUSION:**

Demonetization is one stage of numerous means in battling debasement, dark advertising, and financing uprising. Anyway arrangement for demonetization was trimly sided, and its effects were horrible on Indian open. In the event that 86% of the money is taken out, with a pitiful sum accessible, all market exchanges have been murdered. The general population, who were focused on, did not go ahead roads, but rather basic people are out from their work puts and in addition homes., Somebody put a story on the social network. For slaughtering ten crocodiles, the government drew out all water from the lake comes about murdering ten thousand fish in the lake, however, Crocodiles strolled off on dry sand. With an aim to free the nation of dark cash and uncover assess defaulters and dark cash holders, the government has made move to demonetized Rs 500 and Rs 1000 notes. This move will have the significant effect on the parallel economy yet sudden declaration and inability to get ready ahead of time has made brief disorder and distress among the overall population. Normal Men are thinking that it's hard to purchase with no cash in the stash, squandering hours in lines which despite the fact that could have been maintained a strategic distance from if arranged ahead of time.

Business analysts are occupied in rattling off numerous more merits and fault of this approach. The legislature is stating that there are just focal points of demonetization

arrangement and this will be found in the long haul. Previous Prime Minister Manmohan Singh who is a prominent financial analyst, previous RBI senator and previous Finance Minister of the nation, names the demonetization move as a 'sorted out plunder and sanctioned loot'. In any case, in the event that we analyse the benefits verses faults, it will be sheltered to infer that the previous exceeds the last mentioned. Despite the fact that there is enduring and misery among the majority comfortable minute however the conjecture is that its advantages will be found over the long haul.

The administration is making all the vital strides and activities to take care of the money demand and soon the preliminary and tribulations of the general population will be over with the smooth stream of the new cash.

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