

DEMONETIZATION AND ITS IMPACT ON THE INDIAN ECONOMY

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ABSTRACT

Demonetization can be assumed as a “Surgical Strike” on unaccounted Money, Terrorism, Fake Currency, Unorganized trading, Real Estate, Share market. On the other hand Demonetization is a device to encounter the Inflation, Corruption and Crime, depress a cash dependent economy and to assist the trade. Demonetization is the mainly central and essential when there is an alteration of national currency. The previous component of currency must be distant and substituted with a new currency component. If we are talking regarding the Indian industry on a broader way it can be categories in three sectors like Primary sector, Secondary sector and Tertiary sector. After the Process of demonetization only the Primary sector shows some encouraging development and if we are talking about the Secondary and Tertiary sector both were smashed down and it will affects the whole Indian Market. The currency was demonetized for the first time in 1946 and second time in 1978. The prevalent beneficiaries of demonetization are Banks. Demonetization was announced by Honorable Prime Minister of India on 8, November 2016; the government of India has taken a gallant step to demonetize the 500 and 1000 Rs (fully ban). These two biggest currency notes are denominated as accounted 80 per cent of the currency supply. These currency notes have inclined all almost all the corners of the economy.

Keywords: -*Demonetization, Inflation, Banks, Currency, Black Money, Corruption, Crime, Sectors, India.*

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INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. The government of India has implemented a major change in the economic environment by demonetizing the high value currency notes – of Rs 500 and Rs 1000 denomination. These ceased to be legal tender from the midnight of 8th of November 2016. People have been given upto December 30, 2016 to exchange the notes held by them. The application by the government involves the eradication of these existing notes from circulation and a plodding replacement with a set of new notes. In the short term, it is proposed that the cash in circulation would be considerably squeezed since there are the limits placed on the amount that individuals can withdraw. The main reasons offered behind the demonetization are two-fold: Firstly, to control the fake notes that could be contributing to terrorism/a national security concern and secondly, to destabilize or eradicate the “unaccounted economy”. Demonetization for us means that Reserve Bank of India has withdrawn the old currency of Rs 500 and Rs 1000 notes as an official mode of payment. According to Investopedia, demonetization is the act of stripping a currency unit of its status as legal tender .The policy of demonetization is being seen as a financial reformation of the country.

BREAKS DOWN THE DEMONETIZATION

There are several reasons why nations demonetize their local units of currency:

- To fight against the inflation
- To fight the corruption and crime (Fake currency, Tax evasion)
- To depress a cash-dependent economy
- To assist the trade
- To promote a Cashless economy
- To eradicate the unaccounted money
- Crackdown on Terrorism and Naxalism

DEMONETIZATION OF CURRENCY

Demonetization of currency means discontinuity of the particular currency from circulation and replacing it with a new currency. In the current framework it is the exclusion of the 500 and 1000

denomination currency notes as a legal tender. The government stated that the objectives behind the demonetization policy. These are as follows:

1. First, it is an effort to make India corruption free.
2. Second it is done to stop the unaccounted money.
3. Third to control the growing price rises.
4. Fourth to curb the funds to illegal activities.
5. Fifth to make the people accountable for every rupee they have and pay income tax return.
6. Finally, it is an endeavor to compose a cashless society and make a Digital India.

BACKGROUND FOR THE CURRENT DECISION OF DEMONETIZATION IN INDIA

There is a background to the current decision of demonetization of 500 and 1000 rupee notes. The government has taken a gallant steps in this direction much before its November 8, 2016 announcement.

1. Firstly, the government had urged the people to create the bank accounts under Jan Dhan Yojana. They were asked to deposit all the money in their Jan Dhan accounts and do their future transaction through banking methods only.
2. Secondly, the government had initiated a tax declaration of the income and had given a deadline for this purpose upto 30 October, 2016. With the help of this method, the government was able to mop up a huge amount of undeclared income.
3. Besides, there were many who still hoarded the unaccounted money, and in order to tackle them; the government had decided the policy of current decision for the demonetization of Rs500 and 1000 currency notes.

HISTORY OF DEMONETIZATION IN INDIA

It is not for the first time in the Indian history, that the government has taken a gallant step. It has been occurred twice in the history. The first currency ban was announced as on 12th January, 1946(Saturday) by RBI headquarter. At that time currency notes of 1000 and 10,000 were totally detached from the economy. Both these notes were re-introduced in the year 1954. For that time people had given a time period of 10 days to replace these notes. Further that was extended to 15 days more where by people has to give reasons why they had not exchanged it in previous 10days. It had not twisted much effect for that time. At the end of 1947 out of

Rs.143.97 crores, notes of only Rs. 134.9 crores were exchanged. Thus notes worth Rs. 9.07 were conceivably “Demonetized”.

Secondly the currency ban was made on 16th January, 1978 (Monday), announced by R. Janaki Raman a senior official of RBI, and at the time of Moraji Desai led Janata party. At that time currency ban was taken 1000, 5000 and 10,000 out of circulation. For that time the people had given only 3 days to replace the notes. This time nearly about 73.1 crore was demonetized.

Finally the freshest demonetization had been announced as on 8th November, 2016 (Tuesday) by Prime Minister Narendra Modi. This time the currency of 500 and 1000 notes are demonetized from economy. The Government had given a complete set of instructions to the hospitals, petrol pumps, airports etc to accept the old denomination notes till 11th November, 2016.

On 28 October 2016 the total banknotes in circulation in India was Rs.17.77 trillion (US\$260 billion). In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to Rs.16.42 trillion (US\$240 billion) of which nearly 86% (around Rs.14.18 trillion (US\$210 billion)) were Rs.500 and Rs.1,000 banknotes. They were taken out of circulation from 2016.

REVIEW OF LITERATURE

The literature reviews of the present study regarding the impact of demonetization in India are as under the following headings.

Vijay and Shiva (2016) examined demonetization and its complete financial inclusion. They felt that the rewards of demonetization are much encouraging and the demonetization is in the long-term interest of the country. They expressed that it had given temporary pain but it taught financial lessons. It influenced banking industries to do considerably investment on digitalization of banking services.

Nithin and Sharmila (2016) studied demonetization and its impact on Indian Economy. They opined that demonetization has short term negative impact on different sectors of the economy and such impacts are solved when the new currency notes are widely circulated in the economy. They also argued that the government should clear all the problems created due to demonetization and help the economy to work smoothly.

Lokesh Uke (2017) researched on demonetization and its effects in India. He studied positive and negative impact of demonization in India. The study was based on secondary data available in newspaper, magazines etc. The main purpose of demonetization is to eradicate the black money and diminish the corruption. He expressed that Government of India has become success to some extent. Demonetization had negative impact for a short duration on Indian financial markets. But he said that the real impact will be shown in future.

OBJECTIVES OF THE STUDY

The study has the following objectives:

1. To study about the concept of demonetization.
2. To study about the benefits of current decisions of demonetization policy in India.
3. To study about the problems of demonetization in India.
4. To study about the impact of demonetization in the different sectors of the economy.

DATA SOURCE AND METHODOLOGY

The study is based on the secondary data that is obtained from the following sources: -

- Books, Articles, Reports, Journals, Magazines, News Papers and Government websites.

PROBLEM FACED AFTER DEMONETIZATION IN INDIA

There are various problems which are facing the people due to the process of demonetization in India. People are facing a lot of problems. The basic problem is that people don't have enough cash to buy commodities, even those which are of daily requirements. They have to stand in long queues in banks. People who are not educated are facing problems in getting their currency notes changed as well as using e- payments methods.

Recently a bold decision taken by our Honorable Prime Minister Mr. Narendra Modi by announcing the demonetization of currency notes of Rs 500 & Rs 1000 had definitely affected the people holding black money. Some people are against this and some are looking forward with hope that something good will happen to our country and to common man's life.

When liquidity shortage strikes, it is consumption that is going to be adversely affected first which lead to several others affecting the daily life of people.

Consumption ↓ → Production ↓ → Employment ↓ → Growth ↓ → Tax revenue ↓

As expected, the poorest people and the economically weaker sections of society yet again emerged as the main sufferers. It will take at least 6 to 9 months to replace and re-print almost 15 lakh crore rupees worth of currency notes.

AGRICULTURE: Cash is the primary mode of transaction in agriculture sector which contributes 15% to India's total output.

- Almost all the trade in vegetables and fruits was in cash and now the farmers are facing problems. The prices of their produce have fallen and they are likely to face losses
- Notably, this is a time of kharif harvest and start of rabi sowing, partly explaining why this period is dubbed the '**busy season**' from a standpoint of credit demand, the other being bunching of festivals and weddings.
- Agriculture is impacted through the input-output channels as well as price and output feedback effects. **Sale, transport, marketing and distribution** of ready produce to wholesale centres or mandi's are dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.

JOB MARKET: Industry is staring at temporary job losses due to demonetization, as production gets hit, especially in labour-intensive sectors like textiles, garments, leather and jewellery. The **informal sector in India** employs more than a majority of the workers and most transactions are in cash. Disruption to this system could endanger the employment and livelihood of weaker sections of society.

As many as 4 lakh people, mostly daily wagers, may have either lost their jobs or shunned work temporarily due to the lack of payment so far, and the number is only going to grow if the cash crunch persists

Besides some of the common problems which are created by the demonetization.

1. The worst hits are those who are not on plastic money and have to take care of urgent medical expenditure.

2. Traders, taxi operators and the tourism sector have been hits badly. Horticulturists from Himachal and Kashmir were suffering as their produce was not been sold in fruit and vegetable markets. Textile industry,
3. The people having marriages in their families have been allowed cash withdrawal of Rs 2.5 lakh. Even for that amount a lot of riders have been added. Many of them are not getting 2.5 lakhs due to the scarcity of currency.
4. Pensioners are going through a harrowing time and long ques and have taken many lives already. Even senior citizens whose pension is directly linked to bank accounts are facing a lot of problems.
5. Private hospitals and chemists are neither accepting old notes nor extending credit. The Rs 4,000 limit that has been imposed on withdrawals from banks mean it is a hand-to-mouth existence for many who are already in trouble.
6. Manual laborers and daily wage workers are unemployed as their employer lacks money to pay them in cash (online is not sufficient).
7. Near panic in local markets. Number of transactions dropped.
8. The people in rural areas and the farmers are also facing a great deal of hardship. Many of them do not have bank accounts or own a debit/credit card. The concept of internet banking is far removed for them. These people may be induced to rise in revolt. Already the case of looting of a fair price shop by the public in Madhya Pradesh has been reported.
9. Deep Deflation, The amount of money in circulation will drop dramatically while supply of goods will remain stable - hence prices of goods will drop. Gold prices, stock prices, commodity prices will drop down.
10. The public is inconvenienced because they don't have the cash with which to buy daily necessities of life like food, clothes and shelter.
11. Foreign tourists who have withdrawn money after landing in India are among the worst hit. Instead of enjoying the sights and sounds of India, they are scampering around in an

alien land, trying to secure legal currency. Incredible India indeed. The negative feedback to the tourist industry which will affect its reputation.

12. With less potential buyers in the market and fewer people having white money, the demand for the land goes down and drives down its price. (As people get black money in the future, they will be afraid of holding on to cash and would want to convert that right away into other assets, such as land and gold. This increased demand for land holding, as a form of store of value, might drive property prices higher in the future.)
13. The trader class is affected given that most wholesale shopkeepers choose to keep liquid cash to buy material every day. Very few of them deposit money in a bank. Many of them have incurred losses because of the liquidity drying up in the market.
14. More than a quarter of a billion people in India do not have access to the formal banking sector, which means that a cashless society would be truly perilous.
15. A core of working hour's gone waste. Everything is in a frozen mode.

Challenges Faced by the Common Man due to Demonetization

There are some challenges which are faced by the Common Man due to Demonetization. These are as follows:

1. **Lack of Money in ATMs:** Many people depend on ATM service as it's easy to withdraw money and it also saves a lot of time and hassle. Due to demonetization, there are long queues and in spite of people patiently waiting for hours; they are unable to get cash. Also many don't have the time to go stand in queues due to several issues like old age or bad health etc.
2. **Currency Change not Available:** Many people who are getting Rs 2000 note from banks or ATM are not able to get the change as none of the shopkeeper is ready to give change of Rs 1800 on purchase of Rs 200 so change is a big worry now a days to common person.
3. **Usage of E Wallets:** Usage of E Wallets is one of the best solutions but challenge is that many people who are of old generation don't use smart phone and if they use then also big ratio among them is of people who don't feel secure on transferring the money through E Wallets.

- 4. Banks unable to feed their Customers:** You can still find long queues of people waiting outside banks for their number and some of the times it happens that after long hours of waiting they come to know that cash is finished and now they have to come again after some hours or need to be in queues tomorrow again. It all shows that banks are not prepared enough to feed their customers.
- 5. Old and poor people losing lives:** It's been in several news channels that some of the people who are not well or are very weak have lost their lives due to standing in queues for long hours. But the problem is that nobody is ready to take responsibility of such activities. Besides Old people, disabled people, pregnant women, family bread winners; basically common man is standing in ques for hours together while corrupt black money holders are getting new notes for nothing. People are dying after standing in ques for hours. Even after standing, only one 2000 rupee note is being given or “out of stock” board is shown.

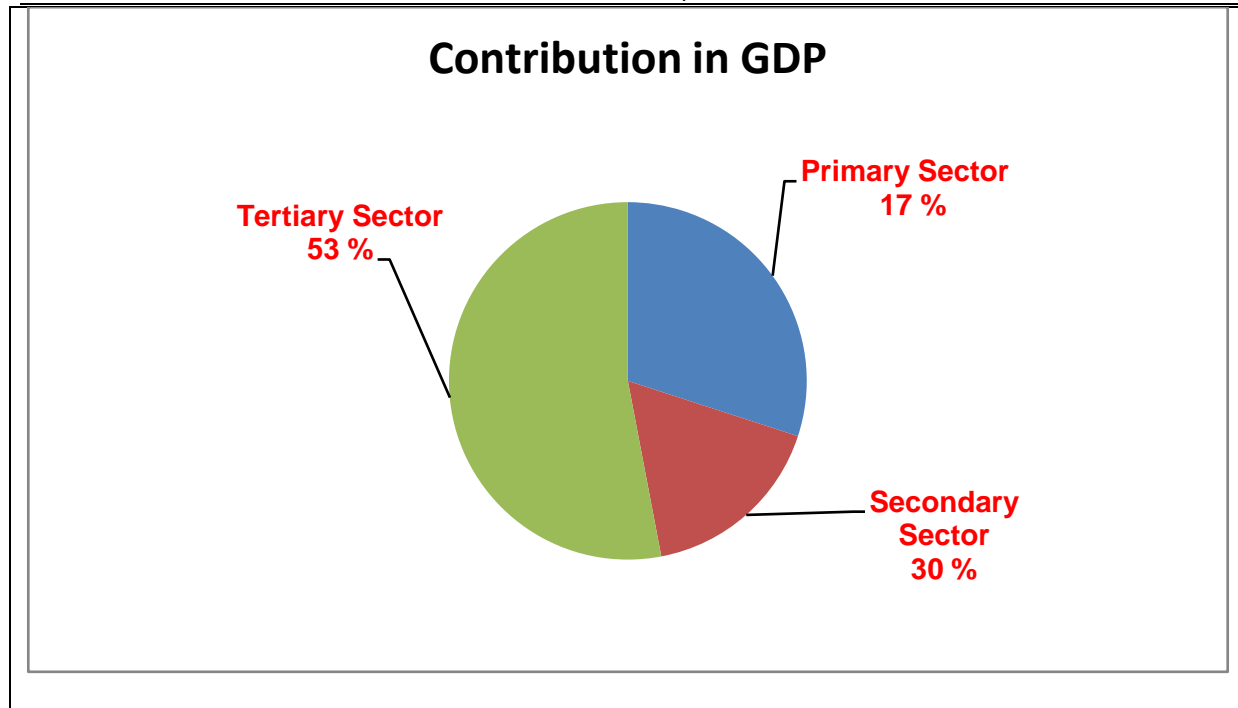
IMPACT OF DEMONETIZATION OF DIFFERENT SECTORS OF THE ECONOMY

According to the RBI's (Reserve Bank of India) Annual Report for April 2015 to March 2016, the value of the currency notes at the end of March 2016 was 16.42 trillion Indian rupees. The 500 rupee and 1,000 rupee currency notes formed 86.4% of the value. In one stroke, the government removed 86.4% of the currency in circulation by value. In terms of volume, the currency notes of these two denominations formed 24.4% of a total 90.27 billion pieces. Also, RBI data showed that as of March 2016, 632,926 currency notes were counterfeit—known as an **FICN** (Fake Indian Currency Note). As a proportion of **NIC** (Notes in Circulation), the 1,000 rupee and 500 rupee notes were the highest. Nullifying these FICNs was also part of the demonetization move. The impact of Demonetization on different sectors of the Indian Economy can be bifurcated into the three broad sectors like Primary (Agriculture) Sector, Secondary (Manufacturing) Sector and the Tertiary (Service) Sectors.

The three different sectors of Indian economy can be contributed to the GDP of our country. These are:

- Primary Sector Contributes 17% to GDP
- Secondary Sector Contributes 30% to GDP
- Tertiary Sector Contributes 53% to GDP.

After the Demonetization process all the sectors of economy faces the harmful impacts.



Impact of Demonetization on Primary Sector

As we know that Indian economy is an agrarian economy, because 70% people depend on the agriculture. The agricultural economy is labour intensive fascinating 70 per cent of employment contributing 50 per cent of GDP. Cash transaction dominates agricultural society. So the unaccounted money is quite common in the rural areas. After the announcement demonetization the farmers were unable to sell their goods as consumer had lack of cash. A farmer depends mostly on village money lenders for liquid cash which is also curbed. Rural consumer spends have tapered from a growth of 12% in 2015 to 10.9% in 2016. Job losses, fall in farm income, social disorder especially in cash intensive sector. In service sector in rural areas, sellers did not able to sell their products because of cash crisis .At the same time they were not getting raw materials for providing the service. Transport operator who are taking cash only for giving transport facility which is only way of movement of raw materials and finished product were also congested their operation. In rural areas there are so many banks having many branches 38 % of total branches are present in rural segment. So the problem is not infrastructure but the obstacle caused by failure of banks to deliver cash in sufficient quantities and denomination on time.

Perishable Commodities Impact

The first week of December is worse for the perishable commodities like fruits and vegetables. The deficiency of processing and storage facilities for these commodities makes these commodities are highly at risk. The liquidity crisis has pulled down the demand, further

frustrating the dilemma of these farmers. There are reports of price of vegetables dropping by almost 60 per cent across wholesale markets. The CPI inflation of vegetables has recorded a steep decline of 10 % as per the latest estimates. The cash crisis has reportedly affected onion trade, poultry sector and there are also reports of large scale distress sales by orange farmers in Vidarbha region of Maharashtra. Therefore, demonetization is unlikely to affect the agricultural growth but it is likely to hit the farmers inadequately, unless the public procurement of pulses improves and distress sales of perishables are addressed. The prices of non-horticultural crops in India have so far held steady although for the impact of demonetization.

Fertilizers: Fertilizer manufacturers such as IFFCO, Zuari Agro, and National Fertilizer indicated that fertilizer sales, which suffered in the first 10 days following the demonetization of high value notes, have since revived. They mentioned that they have extended a month of additional credit to wholesalers, dealers, and retailers, who in turn are passing on this facility to the farmers.

Agricultural growth in India contracted 0.2% in 2014-15 and grew no more than 1.2% in 2015-16, largely because of back-to-back droughts. It was expected to grow at 4% in this year as per **CRISIL** Report, but due to Demonetization this forecast is proven wrong because Farmers are running out of Cash to buy Seeds, Fertilizer, Equipments, and Wages payment to workers and Commission to Agents etc. Because of Cash shortage daily supply transport system has also suffered which was result in 25 to 50 % reduction in sales. Following are the main reasons are as follows:

1. Farmers are not educated and aware about how to work on E-Payment System, Recent study by RBI Says 78% of the population do not use internet in which almost 80 to 85 % are Farmers.
2. In most of the Villages Proper Banking system is not Developed yet and Villagers are need to go to the cities for the same because of that Farmer's most of the time is engaged in exchanging the old notes in Banks.

Impact of Demonetization on Manufacturing sector:

As per the study report of IPP says Growth in Business sector 0.7% in October 2016 but after 8th Nov.2016 Demonetization shows a different picture because of this decision labour turnover is also increased as lack of Production because of low demand of products people were purchase only if it necessarily required.

- 1. Textile industry:**-Most of the Brands and Retailers Report 40 to 60 % drop in sales after Demonetization in first few weeks but from December onwards this drop is slightly decrease, but still we can say the impact of this decision has affect the industry in 2017 also for few months.
- 2. Real Estate:** - Demonetization destroyed the real estate market and it will result in 50% drop down and it will remain for further few months. While the short-term impact is negative, Experts hoping that rate cuts in the coming months would boost home sales.
- 3. FMCG Products:** - Consumer expenditures also affected by that decision now only those products are purchased which was necessary for daily consumption and mostly the small traders like kirayana store, small bodies like street vendors etc. they all have done their daily transactions only in terms of cash and because consumer has less cash in his pockets the daily sells of these traders smashed down by 20 to 30 %. It is also a short term impact in future things get normal.

Impact of Demonetization on Tertiary Sector

This sector hits very badly by the Demonetization decision in November 2016 worst Slump in nearly three year is noted. **The Nikkei India Services Purchasing Managers' Index (PMI)**, which tracks services sector companies on a monthly basis, stood at 46.7 in November, down from 54.5 in October. The catalog slipped into the contraction of territory for the first time since June 2015 and pointed to the sharpest diminution in output for almost three years. On other hand if we are talking about the Banking Sector, this is the only sector which was benefited by that decision in many aspects; this move will pull a large portion of first time users to banks, which will have to use the system at least once to exchange their old notes for new ones. According to the study conducted by **Moody's**, people tend to continue using banking services once they have crossed the 'first-time user' mark. This development will increase bank deposits by 1 to 2 percent compared to what they were before the demonetization scheme.

EFFECTS OF DEMONETISATION

Demonetization affects the economy through the liquidity side mostly. The Indian Economy which was billed as the “fastest growing major economy” in the world and the “only bright spot” among Emerging Markets seems to have slowed down even before the latest “shocking therapy” of “demonetization”. The following are the effects of demonetization are as under:

POSITIVE EFFECTS OF DEMONETIZATION

Demonetization is not a big disaster like global banking sector crisis of 2007; but at the same time, it will act as a liquidity shock that disturbs economic activities.

1. Demonetization is not as end in itself. Rather, it is an instrument for India to become a less cash economy at first and a cashless economy later.
2. There should be the Liquidity crunch (short term effect).
3. Welfare loss for the currency using population
4. As 86% of currency is now striped off, this will lead to a cashless economy. Going cashless has its own range of advantages.
 - Easy for government to track all the transactions which takes place in the economy.

So, black market, tax evasion, illegal funding etc can be stopped.

- Cashless society means, eradication of mediators to some extent. So both producers and consumers will get fair price.
 - Start-ups like paytm, free charge will boom. This will have a ripple effect in the form of incentives for new start ups to spring up.
 - Cashless means more transparency. More transparency means more investor confidence in the economy. So, it will be an incentive for foreign investors. So higher GDP growth.
5. A good legacy for the present government. PM Modi and his government will forever be remembered for demonetization. Just like P V Narasimharao and MMS for LPG reforms.
 6. A shock to the criminals who were so far counterfeiting the higher denomination Currency. They now have to find new ways to do the same.
 7. A shock to people holding unaccounted money. Now they have to pay taxes for such money to make it white and also face legal repercussions in some cases.
 8. Joyal public mood-People are happy to witness such dramatic changes and happy to be a part of such a cleanup process.
 9. With the help of demonetization process, there should be the cleansing of Real estate sector.

NEGATIVE EFFECTS OF DEMONETIZATION

1. New 2000 Rupees note looks like a toy notes. Old higher denomination notes were aesthetically excellent.
2. Government of the day cannot change two series of denomination at the same time as per the RBI Act 1934 so it's illegal.
3. Government cannot use Devanagari numerals on the note. It can only use Devanagari script. So it's illegal.
4. Government cannot impose any restrictions on the amount of money a person can withdraw from his account as per section 26(2) of the RBI ACT1934. So it's illegal.
5. Poor preparation by the government for the biggest currency cleans up of India ever.
6. Some district cooperative banks are not accepting the demonetized currency. Also they are not allowing people to withdraw their legal limit.

EXPERTS AND ECONOMISTS VIEWS REGARDING DEMONETIZATION IN INDIA

1. **Arun Jaitley** (Current Finance Minister of India; Senior Advocate, Delhi High Court) According to Indian Express Mr. Arun Jaitley gives his opinion that the demonetization is good for economy, Indian banks were facing NPA problem since last many years, now banks will have more money to lend for many sectors of the economy.
2. **Amartya Sen** (Leading economist; Noble Laureate; recipient of the Bharat Ratna) According to Indian express, Professor Amartya Sen said that millions of innocent people have deprived from their money and being suffered to get their own money back.
3. **Dr. Manmohan Singh** (Former Prime Minister; eminent economist; former RBI governor) According to Indian express, the former prime minister, RBI governor, and economist Dr. Manmohan Singh said in Rajya Sabha that this demonetization is organized loot. In his speech he said that, the way the scheme has been implemented will harm the agricultural sector in India, it will also harm the small scale industry and informal sectors of the economy. He also said that India's GDP can falls about 2 percentage point as a result of this note banned policy. Cooperative banks which serves the rural areas are non functional and has been prevented from cash. Former prime minister also said that this note banned policy is a monumental mismanagement.

4. **Kaushik Basu** (Leading economist; Senior Vice- President and Chief Economist at The World Bank) According to Indian express, Mr. .Kaushik Basu said that government of India made policy that any person who deposits money beyond the limit of 250000, have to pay huge penalty. This policy created a new black market, in which large amount of illicit cash broken in to smaller parts and deposited by the members of team; which is a legal way of illegal activity. Mr., Basu said this move is hurting innocent people who has no illegal money but they have built up cash reserve over a long period of time.
5. **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 an interview with NDTV, that this note banned policy made by present Indian government is not poke on black money, because the owner of black money converted their money into tangible and intangible assets. The persons who have huge black money, they never keep money in cash, they never keep money under the mattress, or in gunny bags. They invested their black money in properties, jewelries, stock markets or in other assets.
6. **Arvind Virmani** (Leading economist; Former India's representative at IMF; Former Chief Economic Adviser, GOI) According to Arvind Virmani demonetization is a useful technique to solve the problem of black money, but he also said that it need the deeper study to check the effectiveness of demonetization. Immediate effects of demonetization are negative impact in retail trade in goods and services. Currencies for everyday transaction have to be replacing 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 take a Courageous step, and the credit goes to our prime minister Mr. Narendra Modi. If this step would be successful then it will be biggest reform in India. This policy will silently create the money for the economy

CONCLUSIONS

Demonetization in India is a great effort taken by the government of India to struggle with the unaccounted money and corruption. It is a bold decision taken by government of India. The main reason of demonetization is eliminating the unaccounted money and reduces the corruption, crime and terrorism. Demonetization is an instrument used by central government to

fight against the corruption and unaccounted money. In the same way, it influenced and brought changes in all the corner of the economy. Government of India has become success to some extent. Most of the black money has been crushed. Amount of cash liquidity increased in the bank day by day. Demonetization process is like a two faces of a currency because one side it will promote the whole nation and on the other side it's going to make some temporal and long term problems. The general public of India faced a lot of problems for less consumption of goods due to the lack of cash liquidity. Several businesses disrupted due the lack of liquidity, business owners as well as consumer faced so many problems. When government had taken gallant step about the demonetization in India, government didn't know that Indian citizen will have to face this kind of problem for a long time. But government has given so many remedies to the citizens of India for time to time.

Finally we may conclude that, Demonetization is a one-time event and will not have much long term effect and Demonetization is a best device to encounter the Inflation, Black Money, Corruption and Crime, depress a cash dependent economy and to assist the trade.

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