

**Demonetization: A Harrowing Nightmare or a Dawn of a New Era**

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**Abstract**

Demonetisation refers to an act of stripping a currency unit of its status as a legal tender. In order to combat the circulation fake currency notes of higher denomination in India, the legal tender character of old series notes of Rs. 500 and Rs. 1000 stands withdrawn by Government of India with effect from 8<sup>th</sup> November, 2016. It is also aimed at combating inflation, corruption, and terror funding. India has a history of demonetisation: in 1946 and in 1978. But the situation was totally different at the time when a Rs 1000 note could buy 5 sq ft of real estate space in south Bombay, but at this moment a Rs 500 note cannot even buy even a 1/100<sup>th</sup> of a square foot in that area. The study aimed to explore, gather and analyse responses of respondents with respect to demonetisation. The study also attempts to identify future courses of action to be undertaken by Government well as by the public at a large. Using both primary and secondary sources of data collection results of the study concludes people believes that a wait and watch policy needs to be adopted to determine the success or failure of this plan in long run but in short run definitely it's going to be a tough time to deal with. Cheaper availability of internet services by service provider, compulsory e-payment, reduced tax burden, providing tax rebates for online transaction are some of the suggestions for effective implementation.

**Keywords: Black money, Cashless economy, Demonetisation, Terror Funding**

**Introduction to demonetisation**

**“A revolution is impossible without a revolutionary situation; furthermore, not every revolutionary situation leads to revolution.” – Vladimir Lenin**

A revolution is intended to be brought in Indian government with the announcement of Rs. 500 and Rs 1000 Indian currency notes being stripped off as a legal tender of its status on the eve of 8<sup>th</sup> November, 2016. A debate has roped up regarding the feasibility, preparedness and effectiveness of the decision. The step was under taken by the Government due to increased incidents of circulation fake currency notes of higher denomination in India. A historic and commendable move undertaken by any Indian Government shall be able to curb the decade long diseases of the economy – corruption, black money, terror funding. As per the reports published by Transparency International, corruption perceptions Index (CPI), 2015; India ranked 76 out of 168 countries, which was 85 (out of 174 countries) in 2014. The unaccounted money is also the biggest source of funding to the terrorists. The step undertaken by the government will suck out Rs. 500 and Rs. 1000 which are said to be holding 86% of currency share in the economy.

Nearly four decades ago, when centre demonetised high currency notes, with a value of Rs 1,000, 5,000 and 10,000 that had been rendered illegal tender from January 16, 1978, the situation was same which the county is facing at present. Even in the year 1978 when Morarji Desai government ceased Rs 500, Rs 1000 and Rs 10,000 notes, the motive was to tackle the issue of black money economy, which was quite substantial at that point of time also. But the situation is totally different at present. In 1978, a Rs. 1000 note could buy 5 sq.ft of real estate space in south Bombay, but a hundredth of a square foot in that area cannot be even be bought with a sum of Rs 500 note today. Approximately 86% of currency is held by citizen was in form of Rs 500 and Rs. 1000 notes in the economy, which has now become only a coupon which can be exchanged or deposited at the cash counter of banks and post offices. Therefore it has become very important to study the relevance of demonetisation in current scenario. Although people are whole heartedly welcoming this move of the government but still there are lots of inconveniences being faced by common man specially? Mechanical engineer Anil Bokil, a member of the ArthaKranti Sansthan, is reportedly the man behind getting the ban on Rs 500 and Rs 1000 notes.

### What is demonetisation?

Demonetisation is referred to as a radical monetary step in which a currency unit's status as a legal tender is declared invalid. Demonetisation refers to a legal act of invalidating existing currency notes, and getting replaced by new currency notes of same or different denominations. In a recent move as his pledge to crack down parallel economy, Prime Minister Modi took hold of corrupt bureaucrats, business class, terrorists, smugglers, black marketers and many other anti-social elements and parties by announcing withdrawal of legal tender status of Rs. 500 and Rs. 1000 Indian currency notes on the eve of 8<sup>th</sup> November, 2016. This step will give birth to a more cashless economy which in turn will lead to growth of mobile and electronic commerce market in India from current \$ 2 billion to \$19 billion by 2019. McKinsey study suggests emerging economy could boost their GDP by upto 6% if there is large scale adoption of digital finance. This is not the first time that India is witnessing demonetization. In 1946, and 1978 demonetisation took place in India. There was a massive fall in stock market for two years post 1946 demonetisation, but stock market supported massively for next 3-5 years after demonetisation. (ET, 2016).

India is not the only country who adopted demonetisation. There are 9 countries till date who adopted this route of extracting black money from the economy. Ghana demonetised its 50 cedi note (the unit of currency of Ghana) in 1982 to crack down on tax evasion, corruption and mop up excess liquidity which further reduced confidence of people in the banking system as people turned to foreign currency or physical assets instead (Chattopadhyay, 2016). The military government led by Muhammad Buhari in Nigeria in 1984, instituted an anti-corruption crackdown that involved issuing new banknotes with a different color, forcing the replacement of old ones within a limited period. Again in 1987 at Myanmar Dictator Mobutu Sese Seko administration mounted successive banknote reforms. A plan to withdraw obsolescent currency from the system in 1993 saw a surge in inflation and a collapse in the exchange rate against the dollar. After a civil war, Mobutu was ousted in 1997. Soviet Union in 1991, under Mikhail Gorbachev withdrew large-rubble bills from circulation in a move to take on the black economy. North Korea in 2010, under the regime of then-dictator Kim Jong-Il mounted a reform that knocked off two zeros from the face value of the old currency in an effort to tighten control of the economy and close black markets. Our neighbour country Pakistan also phased out its old currency notes in December 2016, Pakistan will phase out the old notes as it will bring in new designs.

### Rationale and Significance of the Study

According to RBI annual report 2016, the total value of currency in circulation was Rs. 16.4 lakh crore of which 38.6% or nearly Rs. 6.3 lakhs crores is in form of Rs. 1000 notes. Another 47.8% or nearly Rs. 7.8 lakh crores is in form of Rs. 500 notes. Which means over 86% of Indian currency will be withdrawn and needs to be exchanged before it can be used.

Rs 500 and Rs 1,000 banknotes in circulation						
Denomination (Rs)	Volume (crore pieces)			Value (Rs lakh crore)		
	Mar-14	Mar-15	Mar-16	Mar-14	Mar-15	Mar-16
500	1141	1313	1571	5.7	6.6	7.9
(% share)	14.7	15.7	17.4	44.4	45.9	47.8
1,000	508	561	633	5.1	5.6	6.3
(% share)	6.6	6.7	7.0	39.6	39.3	38.5
<b>500 and 1000 together</b>	<b>1649</b>	<b>1874</b>	<b>2203</b>	<b>10.8</b>	<b>12.2</b>	<b>14.2</b>
(% share)	21.3	22.4	24.4	84.1	85.2	86.4
<b>Total of all notes</b>	<b>7733</b>	<b>8358</b>	<b>9027</b>	<b>12.8</b>	<b>14.3</b>	<b>16.4</b>
Source: RBI						

Table 1: Rs 500 and 1000 banknotes in circulation

Source: <http://s2.firstpost.in/wp-content/uploads/2016/11/currency-table.jpg>

With increased demand for high denomination note a suspicion of hoarding it in form of black money also increased. Hence in order to maintain financial integrity, this measure was considered necessary as stated by Secretary Economic Affairs Shaktikanta Das. A kind of shock therapy adopted

by government to abolish or extinguish the flow of unaccounted money (in form of illegal wealth) and thereby rewarding the honesty of tax payers. A flow of fake currency notes, the manner in which people used to spend and keep money is also expected to get changed after this move. Financial sector reform was one of 9 pillars for Indian economy as listed by Finance Minister Mr. Arun Jaitley in his budget speech 2016. Agriculture, rural sector, social sector, education and job creation, infrastructure investment, governance and ease of doing business, fiscal discipline and tax reforms are other 8 pillars. The financial structure of any economy plays a very crucial role in enabling an economy to have access and expertise on these pillars of economic growth. Black money is the biggest challenge that the country is going to face with respect to maintenance of financial structure in the economy. As per the reports published by the Economics Division of Credit Analysis & Research Limited [CARE Ratings] on 9<sup>th</sup> November, 2016, demonetisation will lead to removal of black money from the economy to a greater extent. Although in short term people will face challenges in form of liquidity crunch but in long term it will be primarily the middle income class people who will be at gaining side. (Madan Sabnavis, Anushka Sawarkar, Mradul Mishra, 2016). Demonetisation will lead to fall in prices of real estates and properties, where majority of transactions are cash based only; consumer goods and gold by products. Also small scale industries, agricultural industry, service sector will face disruptions in short run but the ultimate gainers will be this class also. Disrupting economic, social and political set of world's second largest emerging market by nullifying 86% of Indian currency; plan carried out in a well tight-knit group led by Prime Minister needs to be studied and explored among the people. The money which is being extinguished or is being sucked out of the economy through Demonetization was either being used as a store of value or as a medium of exchange. Therefore in any case life of the people will become comparatively easier and less complex. In short run transport services, kirana stores, fruits-vegetable vendors, farmers, small scale industries etc. would face challenges in form of compressed demand. In medium term since it is expected that entire 86% currency will not be replaced (which is in form of Rs. 500/- and Rs. 1000/- currency notes), the economy will get shrinken to the extent that extinguished currency which earlier was being used as a medium of exchange. But since there is no fact and figure available for the success or failure of this decision the authors concluded by just having a critical assessment of positive and negatives aspects of demonetisation. ( Rao, Mukherjee, & Kumar, 2016). An article by Squire Patton Boggs, a full-service global law firm, discussed various probable consequences of demonetisation that although in short there might be a short fall of money supply but gradually it will improve. Informal sector and rural areas in India are generally cash driven hence these sectors will be negatively impacted initially hence the GDP will fall drastically. Demonetisation will also lead to structural improvement in tax-to-GDP ratio due to inflow of part of unaccounted money into the economy (Biswajit , Chatterjee; Anandee, Banerji;, 2016). Across all facets of the economy trading activities are dislocated, and cash-centric sectors like agriculture, fishing, the informal market are virtually shut down, with many businesses and livelihoods going under completely, not to mention the economic impact of millions of people standing in line for hours to exchange or deposit cancelled banknotes rather than working or doing business - the negative impacts are many but this does not mean it's a complete failure. Majorly illegal activities have reduced to a greater extent. People have that zeal to learn to deal with cashless transactions, corruptions and tax evasions are also expected to negatively impact. Hence it has become very much important to consider peoples opinion on this decision. This paper will provide a deeper insight about the issue.

### **Objectives of the study**

It is roughly estimated that black money for India ranges from 20% to 66% of GDP i.e. approximately anywhere between Rs. 27 lakhs crore to 90 lakhs crore which is of course not entirely in the form of cash but in form of bullions, share, real estate, benami assets as well. The unearthing of the entire black money component is not possible through demonetisation but it will give a boost to the economy by either disclosing undisclosed cash or dumping of that black money from the market. With the aim to analyse responses of Indian citizens residing in Delhi and NCR, paper attempts to study satisfaction and dissatisfaction level of people with respect to demonization. The idea and suggestions generated by the survey will enable effective implementation and follow up of the plan. Identification of future courses of actions to be undertaken by the people post demonetisation is also one of the objectives of the study.

### **Research methodology**

Both primary and secondary sources of data collection have been used for the study. Primary sources includes survey questionnaire circulated among the residents of Delhi and NCR aging 18 years and above. Personal discussion was also undertaken with few respondents. Since it was a kind of its

own survey the questions for the survey were also prepared taking reviews and question from public at a large. Newspaper, reviews, articles, blogs, data published by RBI and limitedly available research papers are among the secondary sources of data collection. The study is exploratory in nature and inquires respondent’s perception on demonetisation related issues. The data analysis is the review of responses gathered and its interpretation. Using primary data, a questionnaire was employed consisting of multiple choice based questions and five point likert scale to gauge respondent’s perception and opinion regarding demonetisation. Convenience sampling method was employed in administering the survey, which was carried out from 12<sup>th</sup> November, 2016 to 31<sup>st</sup> December, 2016, softcopies of the questionnaire were mailed to the respondents (18 years and above) in Delhi and NCR. Out of the total 200 questionnaires circulated a total of 177 responses were obtained, out of 175 qualified responses were obtained.

**Analysis**

The demographic profile of the sample is given in Table 2. (Q 1-13)

<b>Demographic Factor</b>	<b>Frequency</b>	<b>%</b>	
<b>Gender</b>	Female	63	36%
	Male	112	64%
	Total	175	100%
<b>Age group</b>	18-34 (GenY/ Millennials)	143	82%
	35-50 (Gen X)	20	11%
	51-69 (Baby boomers)	11	6%
	70 and above (Baby boomers)	1	1%
	Total	175	100%
<b>Category</b>	Student	90	51%
	Professional	27	15%
	Businessman	5	3%
	Salaried Class	50	29%
	Housewife	0	0%
	Any other	3	2%
	Total	175	100%
<b>Marital Status</b>	Married	40	23%
	Single	70	40%
	Other	65	37%
	Total	175	100%
<b>Annual income group</b>	Upto Rs. 2 lakhs per annum	23	13%
	Rs. 2 lakhs - 5 lakhs per annum	67	38%
	Rs. 5 lakhs -10 lakhs per annum	54	31%
	Rs. 10 lakhs - 20 lakhs per annum	20	11%
	Rs. 20 lakhs and above (Per annum)	11	6%
	Total	175	100%

**Table 2: Demographic profile of respondents**

**Source: Survey conducted for this study**

The data for the study consisted of 112 (64%) male and 36% ie 63 females out of which 90 belongs to students category and rest were from various categories like professionals, businessman, salaried class, housewives, retired professor, lecturer, research scholar etc. Majority of respondents

were from Hindu religion (87.9%) belonging to Nuclear family majorly (57%) and Single (64.5%). Since this is an open ended and debateable topic; impacting each and every person associated with the economy there is vast diversified combination of different types of questions asked in the questionnaire. After demographic questions, the first question asked from the respondents was there awareness regarding the term and concept of demonetisation. Only 33.5% of respondents were aware of this term and its concept from various sources like newspaper, text book, media, internet etc. Rest was not even aware about the term and its concept. Now since it is now part and policy of Indian economy they came across this concept from on-going discussion and challenges being faced by people on regular basis, there are different opines as well. But although there are challenges and hardship to be faced by public at a large but still 76.1% (134) respondents supported this plan of government and think that rest of the people will support this move as well i.e. 119 (68.4%) ; 19 (10.8%) are not at all in favour of it and 23 (13.1%) are not sure whether they are going to support it or not. 53.1% of respondents although are satisfied with the quality of “New Currency” but there are many who received variants of Rs. 500 and Rs. 2000 new currency notes from banks which raised question regarding the duplicity of new currency notes in the very beginning of its issue. After this a likert scale based questions were asked from respondents. **Respondents perception regarding demonetisation was measured using the likert scale.**

Sl.No.	Question	Total	Strongly agree	Agree	Disagree	Strongly Disagree	Neutral	Total
1	<b>Demonetization will lead to fall in prices of real estate and gold.</b>	<b>175</b>	35%	36%	9%	6%	14%	<b>100%</b>
2	<b>Demand for online payment gateways will increase</b>	<b>175</b>	52%	35%	1%	3%	9%	<b>100%</b>
3	<b>Wholesalers and retailers sales will be negatively impacted</b>	<b>175</b>	18%	32%	17%	4%	29%	<b>100%</b>
4	<b>After this move people will prefer cashless transactions</b>	<b>175</b>	19%	48%	14%	5%	15%	<b>100%</b>
5	<b>Emergency services like medicine , hospital will be impacted negatively</b>	<b>175</b>	10%	29%	38%	9%	14%	<b>100%</b>
6	<b>Increasing rate of inflation can be curbed in future after this scheme</b>	<b>175</b>	22%	39%	9%	6%	25%	<b>100%</b>
7	<b>Citizens will now become honest and pay taxes on timely basis</b>	<b>175</b>	11%	34%	18%	14%	24%	<b>100%</b>
8	<b>Those who were earlier not having bank accounts will get it opened as soon as possible</b>	<b>175</b>	38%	46%	4%	3%	9%	<b>100%</b>
9	<b>Professionals like doctors, lawyers, CA's etc will ask you to pay in form of cheque after this decision</b>	<b>175</b>	14%	34%	17%	4%	30%	<b>100%</b>
10	<b>Government will relax direct tax norms</b>	<b>175</b>	10%	33%	18%	7%	32%	<b>100%</b>
11	<b>There will be lesser indirect taxes, like service tax, VAT etc.</b>	<b>175</b>	11%	26%	21%	9%	33%	<b>100%</b>

**Table 3: Agreement and disagreement regarding various statements related to demonetization**

**Source: Survey conducted for this study**

A single item on five-point rating scale ranging from strongly agree to strongly disagree was taken. The question were based upon digitalisation, real estate, retailers, cashless economy, service sector, and taxation policy etc.35% of respondents strongly agree and 36% agree to the fact that prices

of gold and real estate's will be negatively impacted by post demonetisation since these are two most important means to park illegal funds. Important objectives of demonetisation that is to reduce circulation and hoarding of black money will be met out of this trend. Governments demonetisation move and thereafter liquidity crunch has led a surge in online payment gateways according to 52% respondents. The wholesalers and retailers primarily engaged in informal sector are likely to be worst hit post demonetisation according to 32% of respondents. 17% of respondents preferred to be neutral since they presume that it's too early to comment on its positive or negative aspects. But 48% respondents agree to the fact that cashless transactions will be preferred which is being shown in the data as well that by upto 300% digital transactions have soared up post currency withdrawal. Emergency services are not likely to negatively impact much (38% respondents) but it will lead to a fall in rising rate of inflation (39% respondents). At present only 1% of India's population pays Income Tax but 34% of respondents feels that honesty will pay off in future and this percentage is likely to increase in future. Also people will have more access to banking service by having their accounts opened in banks irrespective of their place of origin. (46% respondents). Professional services fee structure is also being speculated that is going to be improved in future post demonetization, and they will start accepting payment through all 'white mode' i.e. either through cheque or through online transfers(34% respondents). Expectations were also high from government in form of relaxation in direct and indirect tax norms which was very well taken care of in Budget 2017 by reducing initial slab rate from 10% to 5%.6% of respondents out of which 23% were female and 21% were male; supported the secrecy maintained in launching the mission else its success might not had been predicted which although is unpredictable till date. Remaining respondents also gave suggestions in what various manners this mission had been successful even if this decision would have been declared well in advance. Since it was an open ended question, suggestions were generalised based upon themes and majority respondents (38%) support better policy and planning in better implementation of campaign, thereafter, good governance, monitoring, and funds availability. Mechanism was to name a few themes of suggestions. Although 49.7% (out of which 65% were married and 50% were unmarried/single/divorce) of respondents are satisfied with the support and help extended by banks and police officials, inside and outside the banks but the hardships were many. The amount of withdrawals used to overtake amount of deposits, there was not sufficient amount of cash available at the bank's branches. There were long endless queues, but negligible supply of cash from RBI which led people many a time to come bate handed. There was news of misappropriation of funds being done banking officials as well. Due to delayed recalibration of ATM all over the country, people were forced to stand in queues for hours leading to chaotic situation, fight and even deaths. According to government one of the main reasons behind implementation of demonetisation policy was to curb circulation of fake currency notes, terror funding and black money.

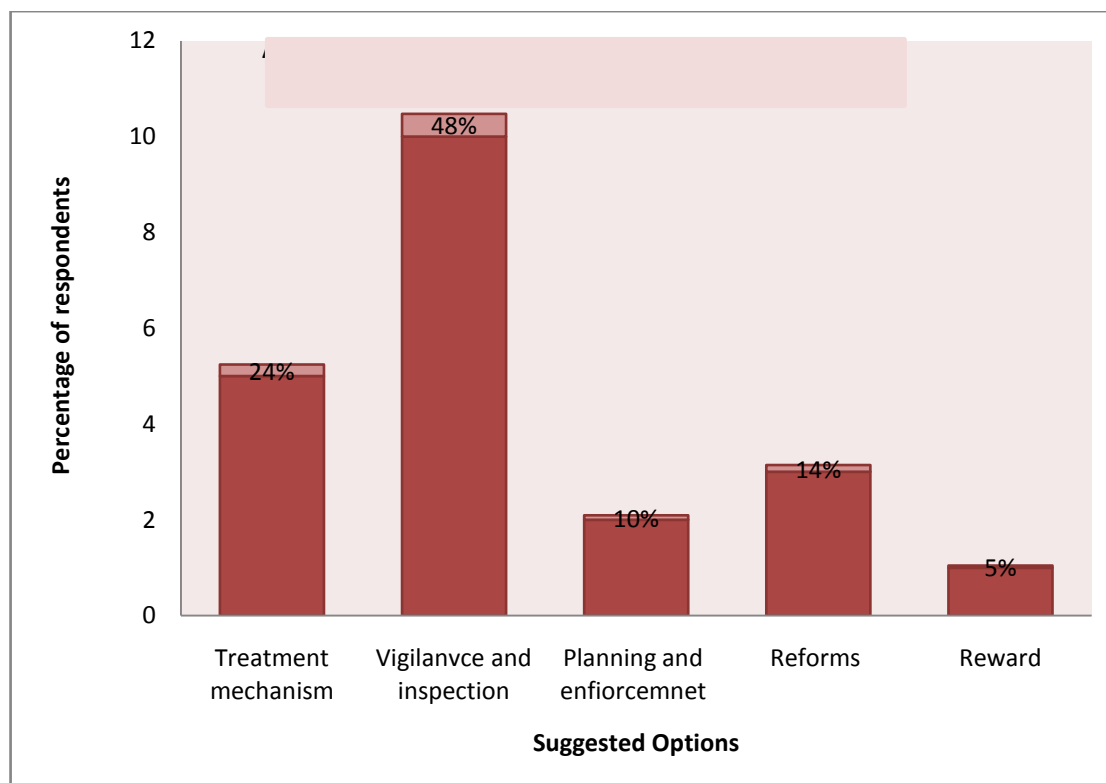
<b>Population : 175 respondents</b>			
<b>Questions</b>	<b>Options</b>	<b>Male %</b>	<b>Female %</b>
<b>Q. Was it not possible that this decision might have been taken well in advance in order to avoid the inconvenience that the country is facing today?</b>	<b>Maybe / Not sure</b>	<b>31%</b>	<b>34%</b>
	<b>No</b>	<b>48%</b>	<b>43%</b>
	<b>Yes</b>	<b>21%</b>	<b>23%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. Are you satisfied with the kind of support and help being extended by banks and police forces at ATM, bank branches etc.</b>	<b>Maybe / Not sure</b>	<b>9%</b>	<b>16%</b>
	<b>No</b>	<b>37%</b>	<b>37%</b>
	<b>Yes</b>	<b>54%</b>	<b>47%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. Was this the only option to curb terror funding/ black money?</b>	<b>Maybe / Not sure</b>	<b>27%</b>	<b>46%</b>
	<b>No</b>	<b>24%</b>	<b>14%</b>
	<b>Yes</b>	<b>49%</b>	<b>40%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. This step will give</b>	<b>Long term remedy to the economy</b>	<b>59%</b>	<b>56%</b>
	<b>Medium term remedy to the economy</b>	<b>27%</b>	<b>27%</b>
	<b>Short term remedy to the economy</b>	<b>14%</b>	<b>17%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. Approximately 86% of currency is in form Rs. 500 and Rs.1000 in Indian economy. How long do you think would it take to completely withdraw this currency from economy?</b>	<b>1-2 months</b>	<b>20%</b>	<b>14%</b>
	<b>3-4 months</b>	<b>35%</b>	<b>25%</b>
	<b>5-6 months</b>	<b>20%</b>	<b>28%</b>
	<b>More than 6 months</b>	<b>25%</b>	<b>33%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. Was it the right time to introduce this scheme</b>	<b>Yes</b>	<b>61%</b>	<b>67%</b>
	<b>No</b>	<b>21%</b>	<b>17%</b>
	<b>Not sure</b>	<b>19%</b>	<b>16%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. Are you satisfied with the kind of arrangements done by Government and RBI in banks and ATM's?</b>	<b>Yes</b>	<b>56%</b>	<b>48%</b>
	<b>No</b>	<b>43%</b>	<b>52%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>
<b>Q. The government should have introduced a currency of smaller denomination, instead of introducing Rs 2,000 currency notes?</b>	<b>Yes</b>	<b>65%</b>	<b>76%</b>
	<b>No</b>	<b>15%</b>	<b>11%</b>
	<b>Not sure</b>	<b>20%</b>	<b>13%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>

Q. Hasn't the demonetization disturbed workflow of an individual as well of businessmen?	Yes	78%	79%
	No	9%	11%
	Not sure	13%	10%
Total		100%	100%
Q. This government till date have undertaken the most innovative and effective decisions and hence is likely to continue for many more years to come?	Yes	72%	67%
	No	13%	14%
	Not sure	14%	19%
Total		100%	100%
Q. I will be voting for this government in future?	Yes	64%	63%
	No	15%	10%
	Maybe / Not sure	21%	27%
Total		100%	100%

**Table 4: Respondents response on various questions related to demonetization**

**Source: Survey conducted for this study**

45% respondents (out of which 40% are female and 49% are male and 36% belongs to 18-34 age category) also feels this was the only option to curb the problem which now has become 'epidemic'. With 78% saying that there is a sense of fear among dishonest people after this scheme, 58% of respondents out of which 59% are male and 56% are female states that this will offer a long term remedy to the economy in form of reduced black money/ terror funding, cashless and transparent economy. But many also suggested other means to remove this epidemic from economy including increasing vigilance and regular inspection, rewards and incentives not to hold black money, penalty to law breakers, targeting other sources of black money ; Swiss bank accounts, benami property etc.



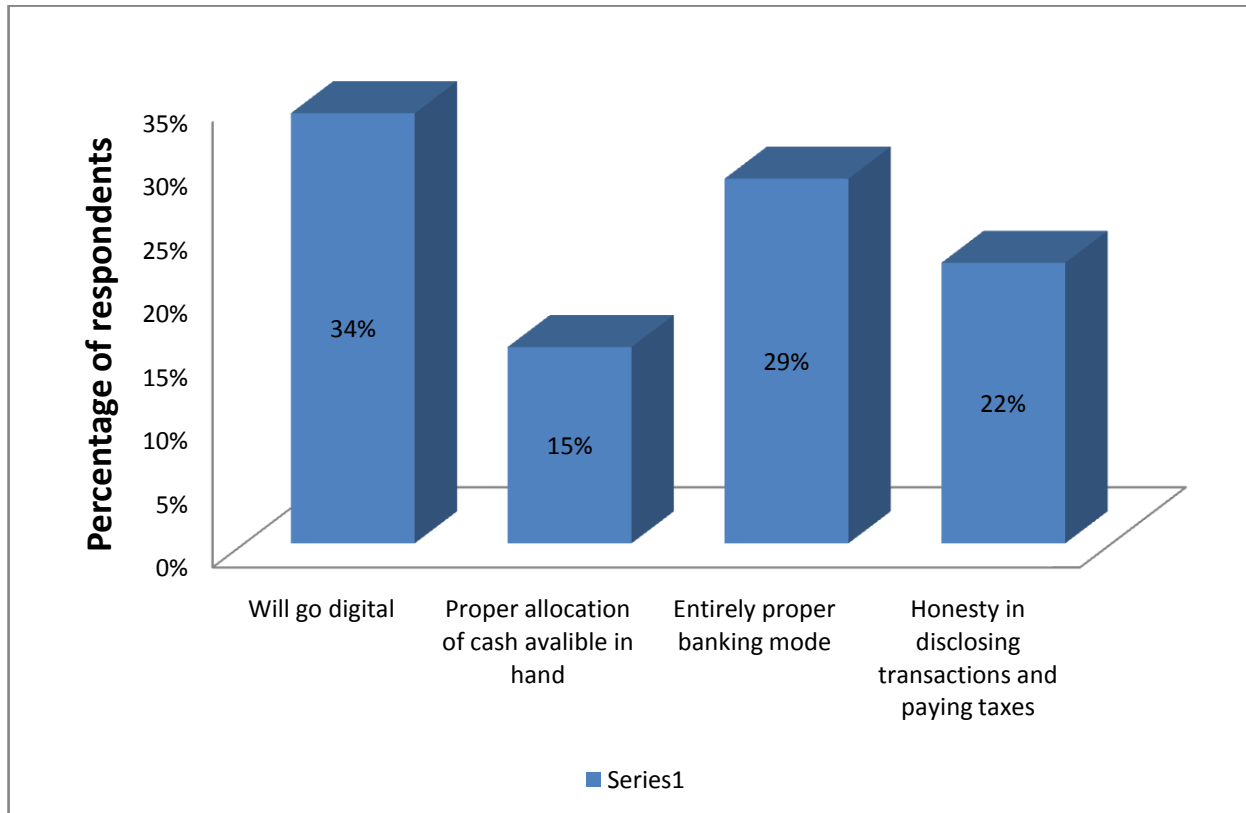
**Fig 1: Any other option which could have been adopted to curb terror funding/ black money**



58% respondents (59% male and 56% female) are of the view that the step undertaken by government to demonetise Rest. 500 and Rs. 1000 currency notes will give a long term remedy to the economy as a whole in terms of its growth and eradication of shadow economy. 86% of currency is majorly in form of old currency notes, hence although government has given the deadline to deposit the same upto 31<sup>st</sup>December, 2016 (or 31<sup>st</sup> March 2017 with RBI) but it is also being estimated that it might take even more than allotted time to withdraw the currencies from market (1-2 months: 17.8%; 3-4 months: 31.6%; 5-6 months: 22.4%; More than 6 months: 28.2%). Even though there were long endless queues with police lathicharg (at some of the places), endless wait; negative impact on daily wage workers, bank vandalism etc but 63% respondents still feel that this was the right time to introduce this scheme. Many suggested that this is not the right time since there is a large amount of population which doesn't have access to banks. Therefore first banking system should be improved before taking such decision. Others supported that this might had been taken in any other time since marriage season, festive season was at peak and many businessmen will lose their business during this peak season. In order to enable flow of cashless economy in India, various steps the government can undertake. The suggestion were many including , easy availability of internet connectivity, no surcharge on any type of electronic transactions, imposing penalty on non-acceptance of payment through cheque or through any other online mode. Following were few more suggestions:

- Safety of online transactions
- Government should also raise question to politician about their property holdings
- Educate people and create awareness about digital transactions and including it as a subject in schools
- Make e-payment compulsory
- Upgrade IT infrastructure, electricity to village
- Introducing debit credit card machines at subsidy to the people
- Provide tax benefits to honest tax payers both Individuals and business persons.

**Q. After this decision of government; what strategies citizens will be adopting to avoid problems in future:**



**Fig 2: Strategies citizens will be adopting to avoid problems in future post demonetisation**

Q. According to you, which sector will be impacted after this decision, in long run?

Questions	Total Respondents	Positively Impacted				Negatively impacted			
		Female	Male	Total	%	Female	Male	Total	%
Real estate and gold	175	45	76	121	30%	19	35	54	70%
Agriculture	175	20	42	62	65%	43	69	112	35%
Manufacturing	175	30	52	82	53%	33	59	92	47%
Services banking, insurance etc.	175	5	16	21	89%	59	95	154	11%
Automobile	175	30	56	86	51%	34	55	89	49%
Hotel and tourism	175	31	58	89	49%	33	53	86	51%
Drugs and pharmaceuticals	175	22	40	62	64%	42	71	113	36%
Transportation	175	25	52	77	56%	39	59	98	44%
Education	175	11	35	46	75%	53	76	129	25%

Table 4: Sectoral impact of demonetisation

Source: Survey conducted for this study

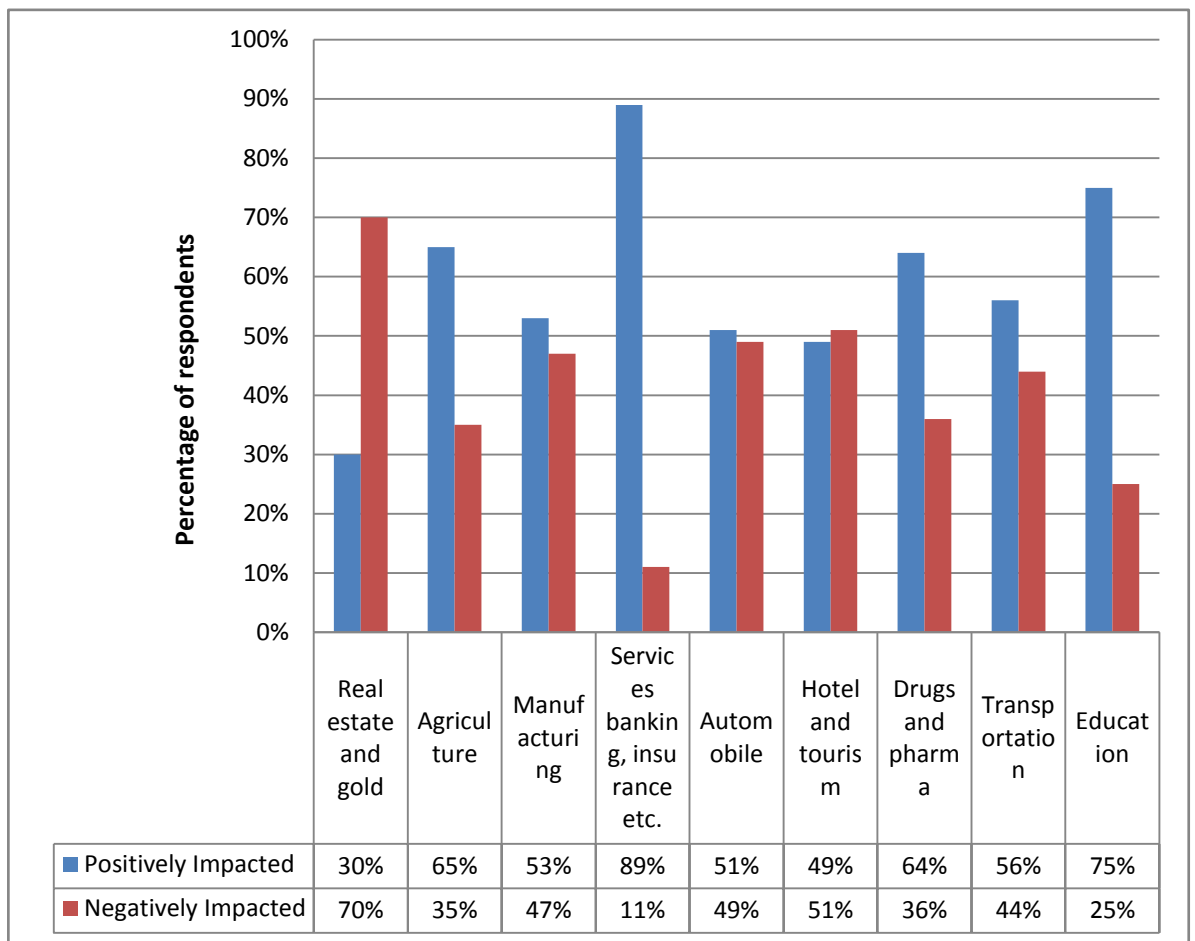


Fig 3: Impact on various sectors

Respondent's opinion was sought on impact of this decision on various sectors. There are two sectors according to respondents which will be negatively impacted i.e. real estate and gold (69% respondents), and hotel and tourism industry (51%). Rest is likely to flourish post currency withdrawal such as agriculture (65%), manufacturing (53%), services sector (89%), automobile sector (51%), drugs (64%), transportation (56%) and education (75%).

### **From demonetisation to remonetisation**

With demonetisation the stage is set for a new an age drama for India called "a cashless economy". If not all Rest. 15.44 lakhs Crores (Aprox.) currency worth will be remonetised, still e cash is majorly able to fill this gap. In academic school of thoughts diffusion theory as well refers to the positive outcome of e payment mode in overall economic growth rate, greater consumption and trade lead by increased transparency; lesser cash based frauds and most importantly ease of doing business. Just 2% of all consumer payment in India is non-cash; which is very low in comparison to other nation such as Singapore (61%), US (45%), China (10%). Belgium, France, Canada are other top ranked large non-cash payments based countries, which are high in terms of Human Development Index as well. (Times News Reporter, 2017). Considering India's case where 45% of GDP is formed out of informal economy employing 80% of population, which implies millions are exchanged every year without the information of exchequer. With demonetisation, better tax collection rate will offer scope to widen tax base in long term, thereby leading to increment in disposable income and hence positively impaction consumption demand in long run. Inflation is another curve which India is facing from past 10 years due to food inflation primarily and luxury expenditure secondarily. Limiting availability of currency will increase purchasing power of man to invest in necessary lifestyle products. The remonetisation process in form of cashless economy paved way towards transparent economy and envisaging a vision of "Make-In-India" by encouraging investors to produce domestically. Also it will enable smooth tracking of every type of transactions, and thereby befitting the taxpayers.

### **Estimated impact of note ban on GDP**

GDP growth rate of India is estimated to be 7.1% in 2016-17, slower than that of previous year (i.e. 7.6%) as per the data released by Central Statistical Organisation (CSO) in January 2017. Although this data is exclusive of demonetisation impact but according to economists growth estimates could even be lowered. Post demonetisation sectors such as construction, real estate, cement, consumer goods, are likely to witness double digit fall in sales further hurting overall economic growth. Manufacturing sector, services sector (which contributes about 60% of GDP) is expected to be slower than that of previous year. Although policymakers expect the impact of note ban to be temporary but its success and failure can't be exactly estimated in such a short span of time.

### **Conclusion**

With the demonetization issue; irrespective of its damages or alternatively its success arguers prosperity, electoral arithmetic would definitely give a less weightage to caste and parochial consideration and more to economic delivery as in more mature democracy. This step will help the economy to start moving towards a cashless and well organised economy. In such society there will be emergence of digital payment in form off electronic and mobile transactions; payment wallets, credit and debit cards, cheques, demand drafts etc. Real estate sector specially the resale market is expected to take a hit with expectation of reduced prices of property and transparency in the system. A cashless economy will also enable a clean and fairer business transactions and transfer of funds. The informal economy in India accounts for 45% of GDP and 80% of employment which means there are millions of such transactions which remain untaxed and unaccounted. As per the report of Income Tax department only 1% of India's population pays income tax. A taxation base is expected to be increased in long run as this system will compel the unaccounted economy to function in a formal framework. Unlocking immense opportunities especially in e-commerce; demonetisation will enable increased financial inclusion and credit access and reduced money laundering. According to the study special awareness campaign among schools, colleges, panchayats etc. needs to be run by government and allied institutions. In order to bring more and more people to digital platform financial literacy is must. Digital payment gateways; linkages of all welfare programs with bank accounts should be encouraged. Strong banking and financial institutions base, cyber security, upgrading it infrastructure, reduced tax burdens are some of the suggestions for its effective implementation and follow up. According to experts in short run 5%-7% will be shortfall in job market especially in real estate and allied activities like cement, construction etc. Its real impact; good or bad- can be estimated post March, 2017 when this process will entirely get over. However its early impact has been felt on terror funding in Jammu and

Kashmir; as well as on left-wing extremist's violence across several states. Hawala ash transfers to terrorists have come to an abrupt halt; moisists groups in the states like Bihar, Jharkhand are in pain to convert their stock piled extortion money in form of expired legal tender currency. Demonization is just an initial doze to cure economy from the menace of parallel economy and terror funding.

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