



Demonetisation and its Impact on Indian Economy

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Abstract: *Demonetisation is a withdrawal of any kind of currency used as a legal tender. In, Demonetisation currency is removed from use or circulation in the nation and retired . It's a move in which the selected currency is not legal in the nation. Demonetisation is a move in which notes and coins are banned by the government. The honorable Prime Minister Narendra Modi announced demonetisation in India on November 8, 2016 where Rs 500 and Rs 1000 notes were withdrawn from circulation*

Keywords: Demonetisation,

I. INTRODUCTION

Demonetisation is a withdrawal of any kind of currency used as a legal tender. In, Demonetisation currency is removed from use or circulation in the nation and retired . It's a move in which selected currency is not legal in the nation. Demonetisation is a move in which notes and coins are banned by the government. Sometimes nations completely ban all the notes and coins. The Indian demonetisation only some notes were banned, rs 10,20,50,100 were not banned, but replacement of every note was introduced. The honorable Prime Minister Narendra Modi announced demonetisation in India on November 8, 2016 where Rs 500 and Rs 1000 notes were withdrawn from circulation. It was a major event of the year 2016 .

II. LITERATURE REVIEW

Varshith J.R, in his study has stated that the move to demonetise Rs.500 and Rs.1000 currency made by the union government of India during the year of 2016 was a historic and laudable effort to clean up the decades long Black money and corruption from the country. V. Gupta focus and pullover the main objective of this move was to curb the corruption, black money and fake money menace.

III. RESEARCH METHODOLOGY

An online questionnaire was used to collect data. We made a set of relevant questions and gave it to participants so that they could give their responses and we could record that.

Secondary data was collected from books, journals, websites, magazines, newspapers etc. Some information was gathered from RBI and NABARD reports.

3.1 Objectives

- To find out the effect of demonetisation on India.
- To explore the reasons for demonetisation in India.
- To use online polls to find individual effects of demonetisation.



- To study the positive and negative effects of demonetisation on the Indian economy.
- To provide suggestions.

3.2 Reasons of Demonetisation in India

In a television address, Prime Minister Narendra Modi had announced the demonetisation initiative at 8 pm on November 8, 2016 to fulfill the four objectives of black money, corruption, stop terror funding against Pakistan and printing of counterfeit currency. With the demonetisation move Rs 500 and 1000 currency notes ceased to exist as legal tenders from the midnight of November 8, 2016

IV. FINDINGS AND CONCLUSION

4.1 Extent of Demonetisation

Demonetisation was applied on 8 November, 2016. In which Rs 500 and Rs 1000 notes were banned. According to the RBI report, demonetised currency on that day was around Rs 15.4 trillion. According to reports it was upto 89.6% of total currency in circulation

4.2 Result

Demonetisation was imposed to fight terror funding, corruption, black money. According to RBI reports, almost the entire chunk of money, more than 99 percent that was invalidated, came back into the banking system. Notes of 15.41 lakh crore were invalidated, 15.31 lakh crore returned back. It resulted in a failure, this dropped the GDP by 2% the same year, which caused the economy of the nation to suffer.

4.3 Conclusion

This research paper is important to understand demonetisation and its impact on the economy of India. This paper explains that demonetisation was a bad decision on the Indian economy, it created a lot of problems for citizens and micro businesses which aggregately disturbs the national economy. It was a waste of national resources and created inflation.

V. SUGGESTIONS

The government must take necessary measures to remove the negative impact of demonetisation on Indian economy and for this, the government should formulate a special organization which consists of experts from various sectors. The government must make time to time publish the data regarding demonetisation to develop awareness among the people about the progress.

- Educate everyone about the usage of e-wallets, debit card and credit cards so that the purpose of making our economy to be a cashless economy turns into reality.
- Workshops and seminars should be organized for public in rural areas who are not aware of the net banking system.
- Zero balance bank account should also be opened up in private banks so that it can attract low-income groups or people of rural areas.



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