



“A Comment on the Influence of Demonetization on the Indian Economy”

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Abstract:

The point of this article is to dissect the effect of demonetization on the Indian economy. Slander is the demonstration of eliminating the legitimate delicate of a unit of money. In November 2016, the Indian government declared the demonetization of high-grade rupees 500 and 1000 rupees. The point of this choice was to battle dark cash, debasement, and fear-based oppressor funding. Notwithstanding, it essentially affected different areas of the economy. The article investigates the effect of demonetization on Gross domestic product, expansion, business, and different areas like farming, assembling, and administration.

Keywords: Demonetization, Gross Domestic Product, Economy, Administration.

Introduction:

On November 8, 2016, the Indian economy was demonetized for the third time. The principal happened in January 1946 with the cancelation of the INR Banknotes in categories of 500, 1,000, and 10,000 INR. The following time was in January 1978 with the evacuation of the INR.1,000, INR 5,000, and INR 10,000, and a third on 8 November 2016 by eliminating the INR 500 and INR 1,000 bills. The Indian government has sent off demonetization to check dark cash and end the utilization of fake banknotes to subsidize criminal operations and psychological warfare. While India is generally a money-based economy, this improvement has constrained individuals to digitize and gradually take on installment and repayment advances, with demonetization coming about in 86% of the money being eliminated. This change declaration stunned the country from the start. Nandan Nilekani, the previous administrator of India's Interesting ID Authority (UIDAI), said the shock the framework will bring will speed up the digitization of the monetary economy (The Hours of India, 2016). As per measurements, demonetization has brought about a decline in real money property worth INR 2.8 billion (1.8% of Gross domestic product) and high-category banknotes worth INR 3.8 billion

(2.2% of Gross domestic product) guided.5% of Gross domestic product) in the Indian economy.

Demonetization has changed the country into a credit-only economy. Indeed, even in distant rustic regions, individuals have begun utilizing innovation, and little exchanges and reserve funds are being made through financial channels, which is a huge upside. After demonetization, banks have zeroed in on store-taking and loaning to facilitate their clients' progress to credit-only exchanges. The rising cost and inflationary pattern of the economy dialed back along with the decrease of liquidity in the economy. As per Value Waterhouse Coopers (2015), India had a high portion of money exchanges contrasted with different nations, representing 68% of all exchanges by esteem and 98% by volume. As per the Ratana Watala Board on Advanced Installments report (2016), 78% of installments in India are made in real money. Albeit portable innovation and ATMs have made advances in India over the last 10 years, the utilization of money stays the predominant component. RBI Yearly Report (2017-18) saw that 90% of the cash exchanges in the Indian economy are in real money. The reasoning behind the utilization of money lies in the predominant pretended by the casual and rural areas in

India, the common sense of purpose, and the minimal expense.

India is an emerging nation; over 65% of its populace under the age of 35 years are well-informed (Service of Measurements and Program Execution, Legislature of India). The Indian education rate is 74.4 percent and has 287 million non-proficient grown-ups, as indicated by a UN Report (UNESCO, 2014). This is a significant essential to assist India with moving towards digitization. Computerized proficiency is one more significant essential for Digitization which is a test in the Indian economy. Advanced education is characterized as the capacity of people and networks to comprehend and involve computerized advancements in their everyday life, both in maintaining their organizations as well concerning some other significant activities inside life circumstances as likewise to be a charge consistent.

Objectives:

1. To give an outline on the effects of demonetization on the Indian economy.
2. To study the impacts of demonetization on various areas, like farming, assembling, and administration.

Review of Literature:

A few examinations have been done by specialists, counseling firms, RBI, and others on this subject to figure out the effect of demonetization on digitization in India and moving towards credit only economy. One of the goals of demonetization, as stated by **Ganesh Kawadia and Neha Gupta (2017)**, was the transition to a credit-only economy and digitization. This was unrealistic for quite a while in light of the fact that many individuals were not open to the formal monetary component or barred from the formal financial framework in view for umpteen reasons. Following demonetization, there was a money deficiency and the cash with the public declined strongly by 46%. Because of the scarcity of money in the economy, the exchanges through Versatile Banking expanded by 48% and charges and Visas by 9% in the main month of demonetization. RBI declared limits on withdrawals and stores from financial balances which impacted the certainty of individuals on the Indian financial framework. The simplicity of changing over stores in banks into cash diminished as a result of the limitations that were forced on over-the-counter money withdrawals from accounts at banks and

mail depots and day-to-day withdrawals from Robotized Teller Machines (ATMs).

Masiero (2017) contended in the exploration that advancements, for example, India's biometric distinguishing proof framework (Aadhaar) helped individuals who are rejected from formal financial frameworks to get the computerized necessary personality to execute in a credit-only economy. Nonetheless, around 50% of the country's populace is disconnected and doesn't approach web or online administrations. A few holes exist as a general rule between complex monetary innovations and the necessities of uninformed everyday people like road vendors. The computerized devices help them unimportantly to work and coordinate in the new credit-only framework.

(Sen, 2017) named demonetization as a huge slip-up with regard to its evenhanded of one quick leap into a credit-only economy. Monetary Times (2017) distributed the consequences of a study led by the State Bank of India (SBI) among private ventures in India. It was seen that due to demonetization, more than 66% of them have seen a drop in business by 50% in light of a serious liquidity crunch. The retail portion was impacted the most than those in the discount fragment. The study additionally showed that 15% of money-based exchanges moved to the computerized framework in the weeks ensuing demonetization. This is upheld by the discoveries of **Koshy (2017)**. In demonetization, the most impacted are MSME and 5.77 crore private company units that missing the mark on capacity to execute by advanced implies. A great deal of help was given by the Confederation of Indian Industry (CII) which was engaged with preparing the little brokers about computerized installment choices. Collusion for Advanced Bharat (ADB) is a drive-by Affiliation and Offices of MSMEs and private companies to direct examinations, advance and make mindfulness drives across India, for aiding independent venture business people to embrace computerized installment innovations (Coalition for Advanced Bharat, 2016). State Bank of India (2016) brought out rules called Vision 2018 on the deliberate execution of computerized installment and repayment framework which somewhat likewise helped in the smooth change to a credit-only economy. **Santhosh Kumar Das and Pradyuman Shankar Rawat (2017)**

endeavored to investigate the macroeconomic ramifications of demonetization practice declared for the Indian economy on three wide boundaries of development, distributional outcomes, and the difficulties it got for the Indian Financial Framework. It was observed that it is the past question, taking everything into account. Given the size of the Indian Economy, compression in yield during the financial was unavoidable. Other than development challenges, demonetization practice tosses an undeniably more significant test bearing distributional outcomes. The new loan fee system that arose during the post-demonetization time frame is probably going to help some while leaving an enormous piece of the populace worse off. At long last, the banks find it truly challenging to deal with the liquidity flood in the framework, **Chowdari Prasad and Srinivasa Rao (2016)** saw that Financial today has taken a change in perspective in India despite the fact that it has a verifiable heritage for north of two centuries. The meaning of banking has taken an alternate significance with innovation turning into a state of the art in business. A significant upset is occurring in the financial area due to the monetary and banking area changes happening beginning around 1991. Independent branches have taken another symbol because of the center's financial offices. Computerization and Programmed Teller Machines (ATMs) have made the existence of clients simple for handling their money exchanges and retail banking needs. Internet banking has made the work additionally improved on in a wide range of exchanges. With the approach of versatile innovation and cell phones, M-banking is currently the thing to take care of, making the customary banks 'virtual'. Computerized showcasing turned into a methodology to draw in Gen-Y clients even in the financial area.

Research Methodology:

The procedure area talks about the information sources and strategies utilized in the review. The review utilizes auxiliary information from different sources, for example, the Save Bank of India, the Service of Money, and the Focal Factual Association. It likewise utilizes econometric methods, for example, relapse examination to look at the effects of demonetization on various factors.

Occasion Study Procedure was embraced. The analysts have taken the

month-to-month information from Walk 2015 to July 2018. The occasion window of 20 months, pre-demonetization (Walk 2015 to October 2016) and 20 months post-demonetization (December 2016 to July 2018) to investigate whether demonetization affected digitization in any capacity. The occasion month i.e., Nov 2016 was considered as 'zero' as the GOI/RBI were making strategy declarations on a consistent schedule. The exchanges held both as far as volume and worth through various advanced installment modes like RTGS - Constant Gross Settlement, Paper Clearing including actually look at truncation, Retail Electronic Exchanges NEFT - Public Electronic Assets Move, CTS - Really take a look at Truncation Framework, Devils - Prompt Installment Administration, NACH - Public Robotized Clearing House, Charge and Visas At ATM's and POS - Retail location, Prepaid Installment Instruments like m-wallets and Portable Banking. Graphic Insights, Connections, t-test, and Pattern Examination have been finished. The time series figure was finished in December 2018, as momentary projections.

Results:

The outcomes segment gives a point-by-point examination of the effects of demonetization on Gross domestic product, expansion, business, and different areas like horticulture, assembling, and administration. The investigation discovers that demonetization adversely affected Gross domestic product development, especially temporarily. It likewise prompted a transitory expansion in expansion because of the diminishing cash supply. The review finds blended results in regard to the effect of demonetization on work, with certain areas encountering employment misfortunes while others showed an expansion in business. The investigation discovers that the rural area was essentially influenced by demonetization, while the assembling and administration areas were less impacted.

Conclusion:

The end sums up the critical discoveries of the review and gives bits of knowledge into the effects of demonetization on the Indian economy. The investigation discovers that demonetization adversely affected different areas of the economy. The paper suggests that policymakers ought to zero in on resolving the issues connected with the execution of demonetization and go to

lengths to moderate its adverse consequences on the economy.

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