

ECONOMICAL IMPACT OF DEMONETIZATION IN INDIAN

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Abstract : The reason behind this move ended up being simple: India's Ministry of Finance stated that 500 and 1,000 rupee records are now being utilized to fund terrorism, investment medication that is unlawful, fuel the black colored market, drive counterfeiting, and spend bribes. This alleged "black cash" had reputedly accumulated to such epic proportions that Prime Minister Modi declared that sufficient had been sufficient, upon himself to clean their country's money supply in one single dropped swoop which he would go. Demonetization could be stated as being a Surgical Strike on Ebony cash, Terrorism, Fake Currency, Unorganized trading, property, Share market etc. having said that it could be groups in three components production sector, provider sector and Agriculture sector whenever we discuss the Indian industry for a wider means. After demonetization just Agriculture sector shows some enhancement that is good whenever we mention the production and service sector both had been crashed down and these will influence your whole Indian market in 2017 additionally. At the time of December 28, formal sources stated that the tax department detected over 4,172 crore of un-disclosed earnings and seized brand new records well worth 105 crore included in its operations which can be country-wide. The division performed a complete of 983 search, survey and enquiry operations underneath the conditions regarding the tax Act and it has granted 5,027 notices to different entities on costs of income tax evasion and

transactions which can be hawala-like. The division additionally seized money and jewelry worth over 549 crore away from that your money that is brand new (most of them 2000 records) is respected at about 105 crore. The division additionally referred an overall total of 477 instances to many other agencies such as the CBI as well as the Enforcement Directorate (ED) to probe other crimes which can be economic cash laundering, disproportionate assets and corruption.

Keywords : Enforcement Directorate, Black cash

1.INTRODUCTION

With impact from 8th Nov 2016 Midnight PM Shri Narendra Modi Ji Banned the Currency records of 500 and 1000 tuesday. This is a choice that is strict of regular 500 and 1000 rupee records from blood supply which is really a results of finding 1.25 lakh crore cash that is black colored. Within 3 times of that choice that is striking - 35000 Crore Rs. Deposited in banking institutions and approximate 1500 Crore Rs Ebony cash had been damaged. Based on the RBI's (Reserve Bank of Asia) Annual Report for April 2015 to March 2016, the worth regarding the money records at the conclusion of March 2016 had been 16.42 trillion rupees being Indian. The 500 rupee and 1,000 money that is rupee notes formed 86.4 percent of this value. The federal government eliminated 86.4percent associated with money in blood circulation by value in one single swing. The money records among

these two denominations formed 24.4percent of the total 90.27 billion pieces with regards to amount. Additionally, RBI information revealed that at the time of March 2016, 632,926 money records had been counterfeit—known being an FICN (Fake Indian Currency Note). As being a percentage of NIC (Notes in Circulation), the 1,000 rupee and 500 rupee records had been the greatest. Nullifying these FICNs ended up being additionally the main demonetization move. Now we discuss the effect of Demonetization on Indian Economy Sector. Very first economy is bifurcated in three sections which can be broad Sector, production Sector and provider sector every one of these three sectors contributed in Indian GDP. Agriculture Sector Contribute 17% in GDP Manufacturing Sector Contribute 30% in GDP provider Sector Contribute 53% in GDP. After Demonetization all of the three sectors face effects being negative.

2. GOALS ASSOCIATED WITH THE STUDY

To Evaluate the Effect of Demonetization on GDP.

To Evaluate the Impact of Demonetization on various sectors of economy.

To Evaluate the Effect that is future of on Indian Economy.

CONCEPTUAL FRAMEWORK

Reasons for Demonetization : According to my research After could be the reasons which can be primary Demonetization.

Ebony Money:- Research that is current pegged India's black market economy at over Rs 30 lakh crore or around 20 percent of total GDP. This really is a great deal larger compared to the GDP of nations like Thailand and Argentina. Therefore now following this choice black colored cash holders are kept with only two choices –

either path this cash through banking institutions, declaring that it is their income or burn the file that is stashed.

Fake Currency & Terrorism : - Terrorism is just a thing that is frightening. But have actually you ever considered just how these terrorists obtain cash? Enemies from over the edge have run their operations making use of money that is fake. It has been happening for decades.

3. Economy:- The main effect of the choice is regarding the economy as it provides effect that is very good the financial security in not too distant future. The coming six to seven months are required to witness an even that is considerable of Sectors like real-estate, construction material, silver, unorganized trade and solutions might find significant discomfort within the time that is near.

Election :- Everyone knows the amount of money that is black colored utilized by governmental events. It will likely be a really task that is tough usage vehicles of cash at the least for the future five state elections. Now in upcoming UP election that has been held in January neither for the events can buy the vote of the indigent plus some modification that is extreme the elections likely to be seen by every person.

Unorganized Trading :- 1.) Rates hike in property sectors is especially due to the participation of black colored cash, but after using this choice the values of home should come down seriously to certainly their genuine value. 2.) Unorganized dealing in share market is likewise eradicated following this choice and also this will gain outcome that is good the financial condition associated with nation. 3.) The dilemma of inflation can get fixed with this particular action due to the fact federal government gets additional money in its pocket in type of fees and earnings that is undisclosed. 4.) Bank system gets strengthened as additionally banking institutions will likely to be inundated with large amount of cash. This may

additionally bring about more development that is financial the country because the cash will undoubtedly be channelized precisely through banking institutions. Less economy that is money - it's not feasible to create Asia Cash-Less economy, but also for the growth and making transparency throughout the market we could state utilization of less money can be done. Therefore to make individuals acquainted with E-Payment and usage of synthetic currency

Impact on different portions of Economy :-

There may be short-term and impact that is lasting of on different sectors of economy.

- **Agriculture:** The sector typically views cash that is high and so effect that is near-term be observed till liquidity is infused in to the rural areas. As farmers face a shortage that is short-term of within reach, it may create a hold off in payment which frequently would damage the associated companies in to the term that is brief. The essential maxims could possibly be driven by the expression that is very long of normal monsoons and good traction in acreage as liquidity eases and cashless discounts gain acceptance.
- **Manufacture:** Automobile- Two Wheelers: Clampdown on money deals and money that is temporary could hurt acquisitions especially in the economy section for the two wheeler area where in fact the portion of money deals are high. But, as businesses figure out how to work around it, need may grab by general development in usage regarding the rural along with the part that is metropolitan.
- **Traveler Vehicles:** the slowdown that is regular during November and December months could easily get more pronounced as customers delay acquisitions as a result of short-term liquidity crunch and objectives of price cuts. But, as most passenger cars are financed through loans, the blip is short-term and need may recover regarding the straight back of development sought after in rural and areas which can be metropolitan well as trickle down advantageous asset of the 7th Pay Commission Payouts. Commercial automobiles: Slackness throughout the market because of demonetization may have a effect that is negative the commercial automobile volumes that have been under great pressure in recent years. Nevertheless, this slowdown might be brief and need may get, led by pre-buying in reaction towards the alterations in emission norms in addition to a pickup in general task that is financial.
- **Going towards electronic repayments:** Demonetization will probably cause individuals adopting wallets being digital as Paytm, Ola Money etc. This behavioural modification is actually a game changer for Asia. Govt. normally launching schemes of discounts for electronic deals. E.g.: Gas Stations/Railway tickets/Life insurance coverage etc.
- **Temporary chaos and confusion:** Public will face issue that is small a couple of days because of the scarcity of reduced denomination records within the system.
- **Reduced total of interest rates :** With increase in deposits with banking institutions, there was increased chance that interest levels would fall in the foreseeable

future that is near Consumption-related sectors like customer durables, FMCG, etc: The perspective is near-term negative as money product sales account fully for a amount that is significant of for organizations in these sectors. As clients and organizations migrate to your cashless platforms, need should come demonetization that has returned making term basic. Into the term that is long need may move through the unorganized players towards the arranged players.

- **GDP** : In line with the federal government's development quotes which are latest, the speed of development is going to be influenced by slowing development within the production and mining sectors as well as construction task. This estimate is based on the forecast of Asia's main bank, Reserve Bank of Asia, which in its final policy that is financial forecast GDP development to be at 7.1 per cent for the 12 months closing March. But this estimate that is latest will not think about the effect demonetization regarding the economy, "in the absence of adequate information." A Anant stated the numbers for November had been available and examined but "it had been thought in view of this policy of demonetization of notes there's a high amount of volatility in these numbers and aware choice ended up being taken perhaps not make projection utilising the November figure" while releasing the information, Chief Statistician T C A Anant stated the numbers for November had been available and examined but "it had been believed in view

associated with the policy of demonetization of notes there exists a high level of volatility in these numbers and choice that is aware taken perhaps not make projection utilising the November figure". This federal government estimate that is latest happens to be released nearly 30 days prior to the standard launch date of February 7. Based on the information released Friday January 6th: "the Gross Value Added (GVA) at fundamental costs for 2016-17 through the mining and sector that is quarrying approximated to decrease by 1.8 per cent, in comparison with development of 7.4 % in 2015-16," a declaration through the Central Statistics workplace for the federal government stated Friday night. The GVA at fundamental charges for 2016-17 through the production sector is approximated to develop by 7.4 per cent, in comparison to development of 9.3 % in 2015-16, the information revealed. The personal sector that is business a share of around 72 % into the production sector

4. ANALYSIS METHODOLOGY: Kind of Information the research that is current quantitative in nature and additional information is employed for the goal of analysis. Way to obtain information the analysis that exists according to additional information. The resources of information are the facts released by Reserve Bank of Asia (RBI), Exchange, Central data workplace Asia and banking institutions web sites being various FACT AND FINDINGS

A.) Effect of Demonetization on Agriculture Sector :- Agricultural growth

in Asia contracted 0.2% in 2014-15 and expanded only 1.2% in 2015-16, mainly as a result of back-to-back droughts. It absolutely was anticipated to develop at 4% in this depending on CRISIL Report, but as a result of Demonetization this forecast is proven incorrect because Farmers are operating away from money to purchase Seeds, Fertilizer, Equipments, and Wages repayment to employees and Commission to Agents etc 12 months. As a result of money shortage supply that is day-to-day system has additionally experienced that was end up in 25 to 50 per cent decrease in product sales. After may be the reasons which can be primary

I. Farmers aren't educated and privy to just how to focus on E-Payment System, Present research by RBI claims 78percent regarding the populace don't use internet by which very nearly 80 to 85 per cent are Farmers.

II. Generally in most regarding the Villages Proper bank system just isn't Developed yet and Villagers are need to visit the towns and cities for similar as a result of that Farmer's more often than not is involved in trading the records being old Banking institutions

B.) Influence of Demonetization on Business sector :- As per the research IPP says Growth in Business sector 0.7% in October 2016 but after 8th Nov.2016 Demonetization shows a different sort of image due to this choice labour return normally increased as not enough manufacturing as a result of legislation need of services and products everyone was purchase just we have actually examined on after company sector if it fundamentally needed, with this

I. Textile industry :- The majority of the Brands and Retailers Report 40 to 60 percent fall in product sales after Demonetization in very first days which are few from December onwards this fall

is somewhat decrease, yet still we could state the effect of the choice has affect the industry in 2017 additionally for at the very least three to four months.

II. Property :- Demonetization smashed the property that is genuine and it'll cause 50% fall down and it'll remain for further 5 to a few months. Whilst the effect that is short-term negative, Specialists hoping that price cuts into the coming months would improve house product sales

FMCG Products :-

Customer costs additionally afflicted with that option now simply those products are purchased that is required for day-to-day use and mostly the traders being kirana that is small shop' small bodies', thelia wala'etc. all of those have actually inked their day-to-day discounts simply in cash and because consumer has less cash inside their pouches the day-to-day sells of the traders fall right down by 20 to 30 %. It is also a term that is brief in future things have actually normal

C.) Influence of Demonetization on provider Sector :- Provider sector is struck extremely heard by Demonetization choice in November 2016 slump that is worst in almost three 12 months is noted. The Nikkei Asia Services Purchasing Managers' Index (PMI), which tracks solutions sector businesses for a foundation that is month-to-month stood at 46.7 in November, down from 54.5 in October. The Index slipped into contraction territory the very first time since June 2015 and pointed to your decrease that is sharpest in output for nearly 36 months. Here is the only sector that has been benefited by that choice in several aspects, this move will pull a big amount of very first time users to banking institutions, who can need to use the device one or more times to change their old records for brand new people on other side whenever we explore Banking Sector.

Based on research carried out by Moody's, individuals have a tendency to carry on banking that is utilizing after they have actually crossed the 'first-time individual' mark. This development shall increase bank deposits by 1 or 2 percent when compared with whatever they had been ahead of the demonetization scheme.

Good Influence on growth

1. Realtor's body CREDAI stated estate that is genuine includes a possibility to rise by about 20per cent within the next one year post demonetisation as builders go slow on new launches, introduction associated with brand new regulatory bill and greater input expense.

2. Brand new launches are required to run dry quickly as realtors follow a wait and view approach and clients anticipate a fall that is further housing rates. The problem may be aggravated as brand new approvals would be sluggish and builders must be more compliant aided by the property Regulatory Act (RERA) which has impact year that is next.

3. "The concept of a housing that is drop-in by about 20-30% is far-fetched. Builders, at the very least in Bangalore, are Taking care of wafer PAT that is thin profit after income tax) margins of 8-10%. There is absolutely no range of further decrease," Credai chairman Irfan Razack.

4. "The RERA will place plenty of unorganised players from the market before they will have all necessity certificates using them while they won't be in a position to begin any task. More over, approvals have now been sluggish and input price, including labour expense, is scheduled to increase," stated Razack.

5. Sobha Managing Director J C Sharma stated the move by the us government would lead to decreasing of financing prices housing that is hence making affordable to any or all. "We need about

4.2 million domiciles within the next four years sufficient reason for supply shortage, costs can just only increase,"

End of Black Money:: exactly what next for Indian property

Demonetization has signalled a last end of a age of money deals in Indian real-estate. Certain, money can remain utilized; nonetheless it appears that usage of money will decrease drastically in property deals, possibly a primary in India's history that is contemporary. Ebony Money, professionals state will recede (the majority of it anyhow) from areas across Asia. Therefore, just what does look that is future for the Indian real-estate?

1) **(End) customer could be the master once again** – With the reduced amount of unaccounted money, the conclusion individual will be the focus that is prime of for builders and designers. Little time investors, with big money accessible, hoping to help make fast dollars usually wound up prices which are inflating. There have been cases of flats on the market to people who are numerous before control had been paid. This is due to investors cashing on a good enhance that is small cost. Now, clients will soon be direct beneficiaries as being a course that is whole of disappears. Certain, there is investors too but just investors being severe long-lasting investment horizon.

2) **Black Money out, technology in** – Over the years, start Ups like Square Yards have now been propriety that is developing to generate a good and simple repayment system for real-estate deals. Now with money playing a small part, technology is supposed to be utilized time that is big. Simply take, for instance, the scheduling engine manufactured by Square Yards where purchasers which are potential pay scheduling quantity on line, through cards through the conveniences of this house.

3) Modification in rates – A modification in rates is anticipated across home portions. Nonetheless, it really is yet become seen simply how much it may be. In the years ahead, you can expect more security in rates as black colored cash utilized to really have the charged capacity to disrupt rates. Clean areas are far more stable, protected, and clear.

4) Change of agents – Brokers and professionals have part that is crucial property. The elimination of black colored cash through the functional system will go agents towards consolidation. Agents would need to get modified to your cash that is brand new and connect up with bigger experts to become more formally organized.

5) Reputation increase for Indian Real Estate – at the moment Asia just isn't regarded as a significant property that is genuine globally. It's very opaque and never at all an easy task to purchase. With all the economy going neat and transparency to arrive, Asia is currently inching towards worldwide requirements and greatest methods in property deals.

5. SUMMARY: The research that occurs the effect of Demonetization on Indian economy's various sectors. GDP of nation somewhat decreases as match up against the season that is past we can't state it'll be exact same in future also. —This intervention is just a draining that is one-time of present stock of black colored cash but unless the root reasons for corruption are eliminated, corruption will stay. Its kind of such as for instance a dialysis, a lot more of a term that is short up compared to a solution regarding the issue. It requires to be duplicated occasionally. □ After research of Demonetization concerns which are after for the season 2017.

1) That which was the effect of Demonetization in 2017 on Indian company sector?

2) Exactly what will be the action that is next of after Demonetization?

3) Exactly what will end up being the effect of Demonetization on GDP in a nutshell term and term that is very long?

4) As to the extent the action of Demonetization has curb problems like black colored cash, Corruption, fake Currency and Terrorism?

5) Just how this task shall influence the work generation possibilities?

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