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# THE STUDY ON DEMONETIZATION: BOOM OR BANE FOR INDIAN ECONOMY

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## **ABSTRACT:**

*Demonetization has been one of the pioneer step taken by NDA Government in it's present term. Demonetization means replacing/stripping of older currencies with newer ones. The main aim of it was To eradicate Black money, but was government successful in it or not is a matter of debate. The main aim of it was to eradicate Black money. This research paper focuses on government's aim of Eradicating Black Money & Digitalizing the Economy. Furthur the most important things covered under study are the chances that our cash dependent economy will be ready to transform into digitally empowered economy & lastly to examining the effectiveness & feasibility of electronic payment system.*

**Keywords:** Black Money, Digitalization, E-wallets, Reality check, Software.

## **INTRODUCTION:**

Money is the life blood of every economy. In order to fulfill humans unlimited wants barter system emerged. Money exchange facilitates ease of doing business, facilitates taxation and national integration. The aim which government wanted to achieve through Demonetization of digitalizing economy was achieved or not will be discussed upon, because digitalizing economy will help government to tax the business firm's appropriately as they are bound to trade i.e. making purchase invoice & sales electronically the history of which will be available to government on their site. This research paper is all about it's impact on nation's economy, small scale businesses, trader's, farmer's, etc. it also throws light on the centre stage of conversion of economy into digitalized one but it isn't sole aim.

## **OBJECTIVES OF RESEARCH PAPER:**

- ❖ To understand & study how demonetisation changed E-pay system in India.

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- ❖ To study role of demonetisation in making India corruption free, a cashless society & digital free India.

### **METHODOLOGY:**

In this research it deals with descriptive research type. The total sample size of 150 has been taken for this study, it includes business trader's of small scale, farmer's, daily wage earner's, etc. Respondents for my project are from Navi Mumbai (Panvel and Kharghar) vicinity. Statements of various personalities have also been considered in this project. The research study also concludes that, whether demonetization has been a Boomor Bane for an economy.

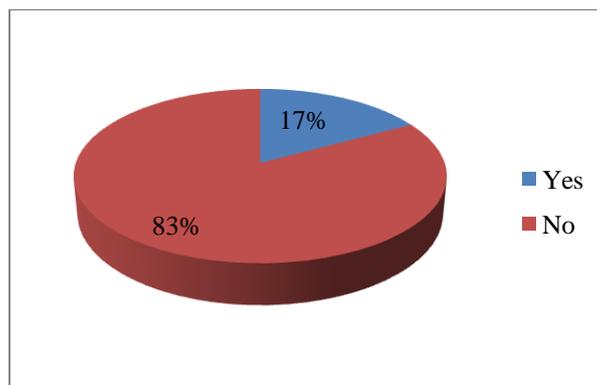
### **LITERATURE REVIEW:**

The move was targeted towards tackling black money, corruption and terrorism. To check mate the black money king, you have to win the board.

For investors waiting on the sidelines, this is the correct situation you have been waiting for. The government move was rapid and it is bound to derail the momentum for various sectors in the short term.

### **DATA PRESENTATION:**

Q.1) Do you support the decision to issue Rs 2,000 notes?

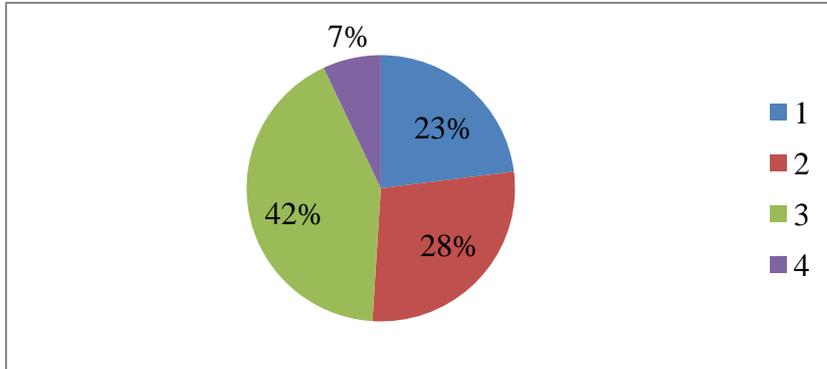


Interpretation:

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There was huge discontent seen among respondents as Rs.2000/- was introduced as many felt that it will add woes as it will not be easily accepted by any shops on a purchase of goods Amounting small.

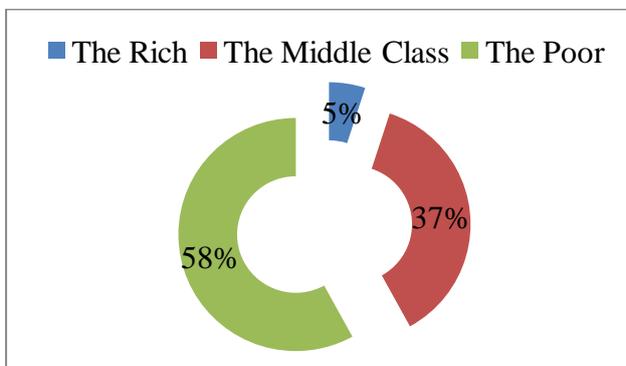
Q.2) Did you get the amount you needed? If yes, after how many attempts?



Interpretation:

It was seen that, getting needed amount was hard as either there was huge demand of money but supply wasn't able to meet it.

Q.3) Do you think the move has affected the most in the hierarchal ladder of India's economy. The rich, the middle class or the poor?



Interpretation:

1. It was observed that higher society weren't that affected as they used digital payment's like Debit/Credit cards, Paytm, E-wallet, etc.
2. The Common people don't use digipayment's to that extent, they are largely dependent on cash transaction.

## **FINDINGS:**

### **A) Differentiation between Action v/s Reality**

Provision by Indian Government	Reality
Farmer can withdraw only a subtle amount which isn't enough for their survival.	Many farmers are ignorant towards banking practices/E-payments.
Families celebrating weddings will be permitted to draw only subtle amount from their bank accounts.	Practically amount is nothing to celebrate such occasion. Person also has to give self-declaration also.
Traders registered with APMC markets were permitted such an bare amount which was insufficient to conduct trade.	This amount is also not sufficient for traders to do transactions.  41% population in India is unbanked.

## **B) REASON FOR DIGITALIZING ECONOMY :**

In today's world we hear lot of cases about theft, where robbers lure away huge sum which might be from home's safe, individual who have withdrawn cash from bank returning to home, etc.

Thus, to weed away these thing demonetisation will play a pivotal role.

Following are some reasons why there's need of cashless society:

- 1) Increase in transaction history
- 2) Reduce risk of caring cash
- 3) Reduce tax avoidance by MNC's

## **C) IMPACT OF DIGITALISATION ON TAX :**

- 1) **Zappers**: They physically prevent sales appearing on the records.
- 2) **Phantomware**: It creates virtual sales terminals for the same purpose.

## **D) EFFECTS ON DIFFERENT SECTORS:**

### **1. LIQUIDITY ADVERLY EFFECTED:**

It is rightly said by Economics professor ARUN KUMAR, One of the most widely quoted authors on black money. If you take out 85% of blood from human body he will die. In similar way if you take out 85% of liquidity from economy & replace it with 5%, then surely your G.D.P. as well as economy is bound to get affected adversely.

### **2. ON INDIAN STOCK MARKET :**

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It's actually impacting. Market ideally should not get impacted with this event however its work more on investors sentiments and it is chain reaction.

### 3. ON BANKING SECTOR :

The reason behind calling this sector being called the beneficiary is very obvious because as lot of people are depositing cash in banks, there will be a lot of liquidity with banks. As the banks get a lot of liquidity in their hands, they will lend the people at a lower rate of interest. Hence the interest rate on borrowing will lower down. From the stock market point of view, yes it can be good opportunity to invest in banking stocks for long term.

### 4. ON MICRO FINANCE COMPANIES :

Before the demonetization these companies used to lend huge money to the needy people, in return they had good repayment of debt percent. Due to demonetization, there was sudden cash crunch felt in the economy which led to reduction/delay in loan repayment from customer leading to fall in their creditworthiness in mind of customer as well as credit rating agencies.

## **CONCLUSIONS**

The demonetisation undertaken by the government acted as a coffin for black money holders.. At the end it had been a tough task for government to eradicate fully, but they are succeeded in partially eradicating it.

As of my research paper the demonitisation decision taken by the government was referred with R.B.I. Governor is a matter of debate.

Thus, in my research paper I will conclude that the decision came up as a bane for Indian economy.

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