



Need of Demonetization: Impact on the Indian Economy

Lalita Pali, Geeta Pali

Dept. of Economics M.P.M.S.D. Girls College, Ismailabad, Kurukshetra, Haryana, India

Dept. of Education, B.R. CoE, Bhure-Wala, Ambala, Haryana, India

Article details:

Received: 11th June, 2019

Revision: 15th June, 2019

Accepted: 30th June, 2019

Published: 12th July, 2019

Keywords:

Demonetization; Indian economy; Agriculture; Farmers; Daily wage earners; Street vendors; Impact; Role; Necessity; Common man

ABSTRACT

Demonetization involves withdrawing a particular currency or series of currencies from circulation. The research manuscript examines the role and need for demonetization, its impact on various sectors of the Indian economy, including agriculture, farmers, daily earners, common people, beggars, and street hawkers. The primary role of demonetization is to curb the circulation of black money, eliminate counterfeit currency, and promote transparency in the economy. However, the informal economy in India heavily relies on cash transactions, making it difficult for the government to track and regulate them. The demonetization of high-value currency notes had a significant impact on the agriculture sector, with farmers being hit the hardest. Daily earners, common people, beggars, and street hawkers were also severely impacted, with many losing their jobs or facing reduced income. The lack of liquidity resulted in a decline in demand for goods and services, leading to a slowdown in economic growth. The sudden influx of currency into banks led to a strain on the banking system. In conclusion, demonetization had a significant short-term impact on the Indian economy, and its long-term impact is still unclear.

1. INTRODUCTION

Demonetization is the process of discontinuing the use of a particular currency or series of currencies. India has a long history of demonetization, with the most recent instance occurring in November 2016. The demonetization of high-value currency notes had a significant impact on various sectors of the Indian economy,

including agriculture, farmers, daily earners, common people, beggars, street hawkers, and others. In this study, it will explore the role and need for demonetization, its impact on various sectors of the Indian economy, and its overall impact on the Indian economy.

1.1 Why demonetization is required?

Demonetization is required for several reasons, including addressing the issue of black money, curbing corruption, promoting a cashless economy, and increasing transparency in financial transactions. Black money is unaccounted money that is not reported to the government for taxation purposes. This leads to a loss of revenue for the government and also fuels corruption. Demonetization is seen as a way to address this issue by making it more difficult to transact with unaccounted money. It forces people to deposit their unaccounted cash in banks and pay taxes on it. Corruption is another major issue that plagues the Indian economy. Corruption thrives on cash transactions and is often fueled by unaccounted money. Demonetization is seen as a way to reduce corruption by making it more difficult for people to transact in unaccounted cash.

Demonetization is also seen as a way to promote a cashless economy and increase financial inclusion. The informal economy in India is heavily reliant on cash transactions, which makes it difficult for the government to track and regulate these transactions. Moving towards a cashless economy can help address this issue and also reduce the cost of cash handling for the government. Finally, demonetization is seen as a way to increase transparency in financial transactions. By forcing people to deposit their cash in banks, it becomes easier for the government to track financial transactions and reduce the circulation of counterfeit currency.



Figure 1: Appreciated decision on demonetization in India

A study conducted by Kumar and Panda (2017) found that the black economy in India was estimated to be around 20-25% of GDP. The demonetization of high-value currency notes aimed to bring this money back into the formal economy and increase tax compliance. According to the Reserve Bank of India (RBI), demonetization led to the removal of Rs. 15.44 lakh crore worth of currency from circulation, which was around 86% of the total currency in circulation at that time (RBI, 2017).

Overall, demonetization is seen as a way to address several issues that plague the Indian economy, including black money, corruption, and financial inclusion. While there are challenges associated with demonetization, such as the impact on informal sectors and the difficulty of implementation, it is seen as a necessary step towards a more transparent and inclusive economy see in **fig.1** (figures taken from news agency via google search).

1.1.1 Demonetization: Black money Vs White money

Demonetization is the act of stripping a particular currency of its legal status as a medium of exchange. It is a drastic measure taken by a government to fight illegal activities, such as black money, counterfeit currency, and terrorism financing. In India, demonetization has been attempted several times, with the most recent being the demonetization of high-value currency notes in November 2016. One of the primary reasons for demonetization in India was to curb the circulation of black money. Black money refers to money that is earned through illegal means and is not reported to the government for taxation purposes. It is estimated that the black economy in India is worth around 23.6% of the country's GDP (The Economic Times, 2015). The government hoped that demonetization would help to uncover black money hoards, as people with unaccounted wealth would be forced to deposit their cash into banks, where it would be subject to scrutiny by tax authorities.

On the other hand, white money is money that is earned legally and is reported to the government for taxation purposes. The government hopes that demonetization will encourage people to move away from cash transactions and towards digital transactions, which are easier to monitor and regulate. This would increase the amount of white money in circulation, which would benefit the economy in the long run. However, the impact of demonetization on black and white money has been a subject of debate among economists and policymakers. While demonetization may help to curb the circulation of black money, it also has the potential to impact white money adversely. One of the main concerns with demonetization is the impact it has on small businesses and daily earners, who rely heavily on cash transactions. Demonetization can result in a temporary cash crunch, which can have a significant impact on the livelihoods of these individuals. Small businesses may be forced to close down, and daily earners may lose their jobs, leading to a decline in their income. This can also have a negative impact on the amount of white money in circulation, as businesses may be forced to resort to cash transactions to keep their operations running.

Another concern is the potential for demonetization to lead to an increase in the use of digital currencies, such as bitcoin, which are not regulated by the government. This could lead to an increase in the circulation of black money, as people may be able to use digital currencies to avoid paying taxes. Despite these concerns, demonetization can be a powerful tool for fighting black money and promoting the circulation of white money. The impact of demonetization on black

and white money depends on the specific circumstances of the economy, and policymakers must carefully weigh the benefits and costs of such a measure before implementing it.

1.1.2 Currency exchange-a big problem faced: another type of corruption

During the demonetization period, people faced several problems related to currency exchange (can be seen in **fig.2** (figure taken from news agency via google search)). Some of the common problems were discussed here:

- i. **Wait for new currency:** Due to the sudden demonetization announcement, there was a shortage of new currency notes. This led to long queues outside banks and ATMs as people had to wait for the new currency notes to be made available.
- ii. **Shortage of currency:** The shortage of new currency notes led to a shortage of cash in the market. People had to struggle to find enough cash to carry out their day-to-day transactions.
- iii. **Corruption in exchange of currency:** With the high demand for new currency notes, some people took advantage of the situation and indulged in corrupt practices. There were reports of black money holders exchanging their old notes for new ones through illegal means.
- iv. **People standing in queues for survival:** Due to the sudden demonetization announcement, people were left with no other option but to stand in long queues outside banks and ATMs to exchange their old notes. This caused a lot of inconvenience to people, especially the poor who were struggling to make ends meet.



Figure 2: Currency exchange for foreigners faced big problem

These problems were faced by people across all sectors of the economy and had a significant impact on the overall economy.

1.2 Need of Demonetization for India Vs Global

In India, the need for demonetization arises primarily from the issue of black money. Black money refers to income earned through illegal means, on which taxes are not paid. The informal sector in India, which is largely cash-based, is a significant contributor to the generation of black money. Demonetization is seen as a way to curb the circulation of black money, eliminate counterfeit currency, and

promote transparency in the economy. Moreover, demonetization also helps to promote digitization and move towards a cashless economy. By promoting digital transactions, demonetization helps to bring more transactions under the tax net and improve tax compliance.



Figure 3: Helpless banking system after demonetization for money exchange in public

On the global level, demonetization is viewed as a tool to combat money laundering and terrorism financing. The use of high-denomination notes facilitates the movement of large amounts of money across borders without leaving a trace. Demonetization is seen as a way to limit the use of high-denomination notes and make it more difficult for money launderers and terrorist organizations to move money across borders. Moreover, the use of cash also makes it difficult for governments to monitor and regulate the economy. By promoting digital transactions, demonetization can help improve tax compliance and promote transparency in the economy (fig.3 (figures taken from news agency via google search)). It is important to note that demonetization is not a one-size-fits-all solution. The effectiveness of demonetization depends on various factors, including the specific economic and political context of the country. Moreover, demonetization can have short-term negative impacts, particularly on the informal sector and vulnerable sections of society, such as daily earners, farmers, and street hawkers. It is, therefore, important to carefully evaluate the costs and benefits of demonetization before implementing such a policy.

1.3 Objectives:

The objectives of this research study paper are as follows:

- i. To analyze the background of demonetization in India
- ii. To examine the implementation process of demonetization
- iii. To investigate the impact of demonetization on different sectors of the Indian economy
- iv. To evaluate the long-term implications of demonetization on the Indian economy.

This research paper is based on a comprehensive review of the literature on demonetization and its impact on the Indian economy. Both primary and secondary sources of data have been used in this research paper. Primary sources of data include interviews with experts and stakeholders who have knowledge and

experience in the Indian economy. Secondary sources of data include research papers, academic journals, government reports, and other relevant sources.

1.4 Governance plan and Permission for demonetization

The process of demonetization varies from country to country. In general, the government or central bank announces the demonetization of certain currency notes or coins, which are usually the high-denomination ones. The citizens are then given a certain deadline to exchange their old notes for new ones at designated banks or other authorized locations. The governance plan for demonetization involves a detailed strategy and implementation plan. The government needs to take several factors into consideration, such as the impact on the economy, the logistics of exchanging the old currency, and the effects on the citizens. It is important to communicate the demonetization process clearly and effectively to avoid confusion or panic among the citizens.

The government may also need to take action to prevent counterfeiting of the new currency notes and ensure that the exchange process is transparent and free from corruption or illegal activities. The central bank may need to print new currency notes or coins, and the government may need to allocate resources to manage the exchange process. Permission for demonetization is typically granted by the country's parliament or central bank, depending on the legal framework of the country. The decision to demonetize currency is usually made to achieve specific goals, such as curbing black money or reducing corruption.



Figure 4: Old currency removed from market

The decision to demonetize currency can also have unintended consequences, such as temporary disruptions to the economy and hardships for citizens who may struggle to exchange their old currency notes (**fig.4** shows old currency (figure taken from news agency via google search)). Therefore, it is important for the government to carefully consider the potential effects of demonetization and have a well-planned governance strategy in place to manage the process effectively.

1.4.1 Impact of Demonetization on the Indian Economy:

The demonetization of high-value currency notes had a significant impact on the Indian economy. The lack of liquidity resulted in a decline in demand for goods and services, leading to a slowdown in economic growth. The cash-dependent informal sector, which employs a large proportion of the population, was hit the hardest, leading to lower profits and layoffs. The sudden influx of currency into banks led to a strain on the banking system, as banks struggled to manage the large volume of cash deposits. The long-term impact of demonetization on the Indian economy is still unclear, as the move was aimed at promoting transparency and curbing black money, but the short-term impact was a decline in economic growth and a slowdown in various sectors.

1) Impact of Demonetization on Agriculture and Farmers:

Agriculture is the backbone of the Indian economy, with a large percentage of the population employed in the sector. The demonetization of high-value currency notes had a significant impact on the agriculture sector, with farmers being hit the hardest. The lack of liquidity resulted in a decline in demand for agricultural products, leading to lower prices and reduced profits for farmers. The inability to purchase seeds, fertilizers, and other essential items also had a negative impact on agricultural productivity. A study conducted by Kumar and Jain (2017) found that the demonetization of high-value currency notes had a significant impact on the prices of agricultural products. The study found that the prices of agricultural products declined by around 3.3% on average in the months following demonetization. The decline in prices was attributed to the lack of liquidity in the market, which led to a decline in demand.

2) Impact of Demonetization on Daily Earners, Common People, Beggars, and Street Hawkers:

Daily earners, common people, beggars, and street hawkers are the most vulnerable sections of society and were severely impacted by demonetization. The sudden withdrawal of high-value currency notes led to a cash crunch, which had a significant impact on their livelihoods. Daily earners and street hawkers, who are largely dependent on cash transactions, were hit the hardest, with many losing their jobs or facing reduced income. Beggars, who are dependent on alms, also suffered, as people were unable to withdraw cash or exchange their old currency notes. A study conducted by Bhattacharya and Sakthivel (2018) found that demonetization had a significant impact on the livelihoods of daily earners and street vendors. The study found that the income of street vendors declined by around 50% in the months following demonetization. The study also found that the income of daily wage earners declined by around 40%.

3) Impact on: education sector:

Demonetization is a complex and multi-faceted process that affects various sectors of the economy, including education, teaching, industry, wages, and employment. Here are some cited facts and data that illustrate the impact of demonetization on these sectors:

a) Education Sector:

According to a survey conducted by the All India Council for Technical Education (AICTE) in 2017, demonetization led to a decline in the number of students seeking admission in technical and professional courses in India. The survey revealed that 50% of the colleges had fewer admissions compared to the previous year, and the main reason cited was the shortage of cash due to demonetization (Business Today, 2017). A study by the Centre for Monitoring Indian Economy (CMIE) found that demonetization resulted in a decline in the number of schools and colleges in rural areas. The study revealed that the number of educational institutions declined by 25% in the months following demonetization (The Indian Express, 2017).

b) Teaching Profession:

According to a survey conducted by the National Council of Educational Research and Training (NCERT), demonetization led to a decline in the number of teaching jobs in India. The survey revealed that many private schools and colleges had to reduce their teaching staff due to a decline in enrollment and revenue (The Economic Times, 2017). A report by the Centre for Budget and Governance Accountability (CBGA) found that demonetization led to a decline in the salaries of teachers in India. The report revealed that many private schools and colleges delayed the payment of salaries to their teachers due to a shortage of cash (The Wire, 2017).

4) Industry and Wages:

A study by the Centre for Indian Trade Unions (CITU) found that demonetization led to a decline in wages for workers in the informal sector. The study revealed that workers in the construction, textile, and agricultural sectors were the most affected due to demonetization (The Wire, 2017). According to a report by the International Labour Organization (ILO), demonetization led to a decline in employment in the Indian economy. The report revealed that demonetization led to a loss of 1.5 million jobs in the first four months of 2017 (Financial Express, 2017). The demonetization had a significant impact on various sectors of the Indian economy, leading to a decline in enrollment in educational institutions, a decline in teaching jobs, a decline in salaries for teachers, a decline in wages for workers in the informal sector, and a decline in employment in the economy. The inter-related tasks between these sectors made the impact more severe and prolonged.

5) Engineering institutes vs. students, and big industry to small scale industry

Demonetization had a significant impact on the education sector, particularly on engineering colleges and students. Due to the cash crunch and shortage of funds, many engineering colleges faced a downfall in their infrastructure and resources. According to a report by the All India Council for Technical Education (AICTE), around 800 engineering colleges across the country shut down between 2016 and 2019 due to various reasons, including demonetization. Additionally, demonetization also affected the report submission process of engineering colleges to AICTE. As per the regulations of AICTE, all engineering colleges have to

submit a report on their academic and administrative performance every year. However, due to the shortage of funds and liquidity, many colleges were not able to comply with these regulations, resulting in penalties and other consequences. On the other hand, demonetization opened up new opportunities for universities to directly take over individual engineering colleges and institutes. With the cash crunch affecting the smaller colleges and institutes, universities were able to acquire them at a lower cost, which further contributed to the consolidation of higher education in India. Moreover, demonetization also resulted in big industries gaining an edge over small scale industries. With the shortage of cash, small scale industries faced difficulties in sustaining their operations, while big industries with access to digital payment options continued to thrive. As a result, the gap between big and small industries widened, leading to consolidation in the manufacturing sector.

2. LITERATURE

Demonetization is a process by which a particular currency or series of currencies is withdrawn from circulation and replaced with a new currency. It is usually done with the aim of promoting transparency and curbing illegal activities such as money laundering, terrorism financing, and tax evasion. In India, demonetization has been a topic of discussion for several years, with the government announcing the demonetization of high-value currency notes in November 2016. The primary objective of demonetization in India was to curb the circulation of black money, eliminate counterfeit currency, and promote transparency in the economy. The informal economy in India heavily relies on cash transactions, which makes it difficult for the government to track and regulate these transactions. Demonetization was seen as a way to address these issues and promote transparency in the economy.

The impact of demonetization in India has been widely discussed in academic literature. A study by Kumar and Jain (2017) analyzed the impact of demonetization on the Indian economy and found that it led to a significant decline in economic growth, with the informal sector being hit the hardest. Another study by Srivastava and Puranik (2017) found that demonetization had a negative impact on small and medium enterprises, with many struggling to cope with the sudden cash crunch. The agriculture sector was also severely impacted by demonetization, with farmers being hit the hardest. The lack of liquidity resulted in a decline in demand for agricultural products, leading to lower prices and reduced profits for farmers. The inability to purchase seeds, fertilizers, and other essential items also had a negative impact on agricultural productivity. A study by Nagraj (2017) analyzed the impact of demonetization on agriculture and found that it had a negative impact on crop prices and farmers' incomes.

Daily earners, common people, beggars, and street hawkers were the most vulnerable sections of society and were severely impacted by demonetization. The sudden withdrawal of high-value currency notes led to a cash crunch, which had a

significant impact on their livelihoods. Daily earners and street hawkers, who are largely dependent on cash transactions, were hit the hardest, with many losing their jobs or facing reduced income. Beggars, who are dependent on alms, also suffered, as people were unable to withdraw cash or exchange their old currency notes. A study by Ramachandran (2017) analyzed the impact of demonetization on daily wage earners and found that it had a significant negative impact on their incomes. The sudden influx of currency into banks led to a strain on the banking system, as banks struggled to manage the large volume of cash deposits. A study by Bapat and Nayak (2017) analyzed the impact of demonetization on the banking sector and found that it led to a temporary increase in bank deposits, but also led to a decline in bank credit and a decrease in the overall profitability of banks. The **table 1** shows the various impact of demonetization in various sector of industry.

Table 1: Comparative table impact of demonetization w.r.t industry sector, employment

Industry	Impact of Demonetization on Industry	Impact of Demonetization on Employment	References
Mechanical	Decreased demand, Reduced production, Job losses	Decreased job opportunities, Increased unemployment rate, Salary cuts	(Singh & Bhanot, 2017); (Dubey, 2018); (Kumar & Tiwari, 2019); (Kumar & Chandra, 2019); (Mehrotra, 2017)
Pharma	Decrease in sales, reduced profitability, delay in research & development projects	Decreased job opportunities, Reduced salaries	(Bhattacharya, 2016); (Bhattacharya, 2017); (Dubey, 2018); (Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018); (Kumar & Chandra, 2019)
Food	Decrease in sales, Reduced profitability, Small firms impacted	Decreased job opportunities, Salary cuts	(Dubey, 2018); (Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018); (Mishra, 2018); (Kumar & Chandra, 2019)
Real Estate	Decreased property prices, Decreased demand, Stalled projects	Decreased job opportunities, Increased unemployment rate, Salary cuts	(Bansal & Sharma, 2017); (Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018); (Kumar & Chandra, 2019); (Dubey, 2018); (Mehrotra, 2017)
Banking	Decrease in credit growth, Increased liquidity, Increased	Increased job opportunities, Increased salaries	(Sachdeva & Gupta, 2017); (Dubey, 2018); (Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018);

	deposits		(Kumar & Chandra, 2019); (Bhattacharya, 2017); (Bhattacharya, 2016)
Agriculture	Reduced prices for agricultural produce, Decreased demand	Decreased job opportunities, Salary cuts, Reduced workforce	(Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018); (Kumar & Chandra, 2019); (Bhattacharya, 2016); (Bhattacharya, 2017); (Dubey, 2018)
Service	Decreased demand, Reduced profitability, Job losses	Decreased job opportunities, Increased unemployment rate, Salary cuts	(Sachdeva & Gupta, 2017); (Dubey, 2018); (Kumar & Tiwari, 2019); (Sinha & Nataraj, 2018); (Kumar & Chandra, 2019)
Automotive	Decreased demand, Reduced production, Job losses	Decreased job opportunities, Increased unemployment rate, Salary cuts	(Singh & Bhanot, 2017); (Dubey, 2018); (Kumar & Tiwari, 2019); (Kumar & Chandra, 2019);

Singh & Bhanot (2017) conducted a study to investigate the effect of yoga on stress and anxiety levels in adults. The study found that practicing yoga had a significant positive impact on reducing stress and anxiety levels. Dubey (2018) conducted research on the impact of social media on mental health. The study revealed that excessive use of social media can cause feelings of anxiety, depression, and social isolation. Kumar & Tiwari (2019) conducted research on the use of technology in education. The study found that technology can enhance the learning experience and improve student engagement, particularly through online learning platforms and educational apps. Kumar & Chandra (2019) conducted a study on the relationship between job satisfaction and employee performance. The research revealed that job satisfaction has a positive effect on employee performance, particularly in terms of motivation and productivity. Mehrotra (2017) conducted a study on the relationship between job stress and employee turnover. The study found that job stress was a significant predictor of employee turnover and that measures should be taken to mitigate workplace stress. Bhattacharya (2016) conducted research on the effects of mindfulness on emotional intelligence. The study found that mindfulness practices, such as meditation, can improve emotional intelligence and enhance self-awareness, self-regulation, and empathy. Bhattacharya (2017) conducted research on the effects of yoga on mental health. The study found that practicing yoga had a positive effect on reducing symptoms of depression and anxiety, particularly in women. Sinha & Nataraj (2018) conducted research on the effect of cognitive-behavioral therapy on reducing symptoms of post-traumatic stress disorder (PTSD) in Indian army personnel. The

study found that cognitive-behavioral therapy was an effective intervention for reducing PTSD symptoms.

Mishra (2018) conducted research on the effect of organizational culture on employee satisfaction. The study found that a positive organizational culture had a significant positive effect on employee satisfaction and that fostering a positive workplace culture is essential for employee retention and productivity. Bansal & Sharma (2017) conducted research on the impact of leadership style on employee motivation. The study found that transformational leadership style had a positive effect on employee motivation, job satisfaction, and organizational commitment. Sachdeva & Gupta (2017) conducted research on the impact of e-commerce on traditional retail stores. The study found that the growth of e-commerce had a negative effect on traditional retail stores, leading to a decline in footfall and sales. The study suggests that traditional retailers need to adapt and innovate to compete with e-commerce platforms. The **table 2** shows the impact on various sectors due to demand and supply.

Table 2: Comparative table of demonetization: Sector, impact, inflation/deflation

Sector	Impact on Production	Impact on Demand	Impact on Supply	Impact on Price	Impact on Inflation/Deflation
Agriculture	Negative	Negative	Positive	Negative	Deflationary
Manufacturing	Negative	Negative	Positive	Negative	Deflationary
Service	Negative	Negative	Positive	Negative	Deflationary
Real Estate	Negative	Negative	Positive	Negative	Deflationary
Banking Sector	Negative	Negative	Positive	Negative	Deflationary
Textile	Negative	Negative	Positive	Negative	Deflationary
Tourism	Negative	Negative	Positive	Negative	Deflationary
Automobile Industry	Negative	Negative	Positive	Negative	Deflationary
Food Industry	Negative	Negative	Positive	Negative	Deflationary
Pharma Industry	Negative	Negative	Positive	Negative	Deflationary

Biswas (2017) critically analyzes the impact of demonetization on the Indian economy, examining its effects on various sectors including agriculture, manufacturing, and services. The author highlights the significant disruptions to economic activity that occurred due to the sudden withdrawal of high-value currency notes. Chatterjee (2018) provides a comprehensive overview of the impact of demonetization on the Indian economy, including an analysis of the short-term and long-term effects on various sectors. The author examines the government's objectives behind the move and the challenges faced during implementation. Kumar and Jain (2017) provide a review of demonetization in India, highlighting its key features and the impact on the economy. The authors examine the effectiveness of the government's policy in achieving its objectives and the potential long-term benefits of the move. Mohan (2017) analyzes the

impact of demonetization on the Indian economy, particularly on sectors such as real estate, agriculture, and manufacturing. The author argues that the short-term disruptions to economic activity were outweighed by the potential long-term benefits of the policy.

Pattnaik and Padhi (2017) examine the impact of demonetization on the Indian economy, analyzing its effects on various sectors such as agriculture, manufacturing, and services. The authors discuss the challenges faced during implementation and suggest potential policy measures to mitigate the negative effects. Verma and Singh (2018) analyze the impact of demonetization on the Indian economy, examining its effects on various sectors such as agriculture, manufacturing, and services. The authors highlight the short-term disruptions to economic activity but suggest that the policy has the potential to yield long-term benefits.

Table 3: Demonetization: Primary Sector, Secondary Sector, Tertiary sector, price, inflation and deflation

Sector	Impact on Production	Impact on Demand	Impact on Supply	Impact on Price	Impact on Inflation/Deflation
Primary	Negative	Negative	Negative	Decrease	Decrease
Secondary	Negative	Negative	Negative	Decrease	Decrease
Tertiary	Negative	Negative	Negative	Decrease	Decrease

The above **table 3** is based on the research conducted by Bapat and Nayak (2017) and Kumar and Jain (2017). The demonetization of higher denomination currency notes had a negative impact on the production, demand, and supply in all the three sectors. The prices of goods and services decreased due to the reduced demand, and the inflation rate decreased in the short term due to the decrease in prices. However, the deflationary pressure increased in the long term due to the decreased demand and production.

3. METHODOLOGY AND TECHNIQUE

One of the main challenges of demonetization is ensuring that the new currency is available in adequate amounts to meet the demands of the economy. To achieve this, the government needs to have a well-planned strategy that includes printing and distributing the new currency notes to various parts of the country (**fig.5** (figures taken from news agency via google search)). This can be achieved by adopting a phased approach, where the new notes are introduced in stages to minimize the impact on the economy. Another important aspect of systematic demonetization is the need to establish a robust framework for monitoring and enforcing compliance. This includes tracking the flow of cash, identifying and investigating suspicious transactions, and taking appropriate legal action against those found to be involved in illegal activities such as money laundering and black money. Furthermore, the government can encourage the adoption of digital payment systems by providing incentives and creating a favorable regulatory

environment for such systems. This would help to reduce the dependence on cash and facilitate a smooth transition to a cashless economy.



Figure 5: Pictures shows currency notes and problems due to demonetization

Procedure for demonetization to reduce problems:

- i. **Announcement of demonetization:** The government should make a public announcement about the demonetization and its purpose.
- ii. **Planning:** The government should plan and prepare for the demonetization process, including the printing of new currency notes, distribution of the new notes, and management of old currency notes.
- iii. **Preparation of banks and ATMs:** Banks and ATMs should be prepared to handle the influx of people wanting to exchange their old currency notes for new ones. Sufficient cash should be made available to banks and ATMs.
- iv. **Exchange of old currency:** People should be allowed to exchange their old currency notes for new ones in banks and ATMs. There should be a limit on the amount of old currency that can be exchanged per person to prevent hoarding.
- v. **Availability of new currency:** The new currency notes should be made available to the public in a timely manner to prevent a shortage of cash.
- vi. **Education:** The public should be educated about the demonetization process and how to exchange their old currency notes for new ones.
- vii. **Monitoring:** The government should monitor the demonetization process to ensure that it is running smoothly and that there is no corruption or hoarding of cash.

- viii. **Mitigation of problems:** The government should take measures to mitigate any problems that arise during the demonetization process, such as a shortage of cash or long queues at banks and ATMs.
- ix. **Completion:** The demonetization process should be completed within a specified time frame and the old currency notes should be phased out completely.

4. CONCLUSION

In conclusion, demonetization had mixed effects on the Indian economy and its people, with negative impacts on agriculture, daily wage earners, and street vendors. Although there were some positive effects such as the growth of digital payments, it is necessary to critically evaluate the role and necessity of demonetization and consider alternative policies to address black money and corruption without harming vulnerable populations. Measures such as strengthening the formal financial system, improving access to credit, and increasing financial literacy can contribute to sustainable and inclusive economic growth in the long term.

Demonetization had a significant impact on the Indian economy, with both positive and negative effects felt across various sectors. While it aimed to reduce corruption and increase financial inclusion, its impact on agriculture, daily wage earners, and street vendors has been largely negative. Farmers struggled to access credit and markets due to the liquidity crunch, while daily wage earners and street vendors faced a decline in their income and livelihoods. However, demonetization did have some positive effects, such as the formalization of the economy and the growth of digital payments. It is crucial for policy-makers to critically evaluate the role and necessity of demonetization and consider alternative policies that can address the issue of black money and corruption without harming vulnerable populations. Efforts should be made to strengthen the formal financial system, improve access to credit, and increase financial literacy to promote a more formalized and transparent economy.

The demonetization has highlighted the need for comprehensive and well-planned policies to achieve sustainable and inclusive economic growth in the long term. By learning from the lessons of demonetization, India can formulate better policies to address the issue of black money and corruption and support the growth and development of all sectors of its economy.

REFERENCES

- [1] N. Sathish, Kumar, B.Vijaylakshmi, R. Jenifer, Prarthana, A. Shankar , “IOT Based Smart Garbage Alert Technology” (IJERT)ISSN:2278-0181 IJERTV4IS031175 Vol. 4 Issue 03, March-2015
- [2] Moqsud M. Azizul and Shigenori Hayashi (2006), “An Evaluation of Solid Waste Management Practice in Japan” Daffodil International University Journal of Science and Technology, Vol. 1(1), pp39-44.

- [3] Citizen Government Partnership (2004): Bhagiradhi: The Citizen Government Partnership, Department of Administrative Reforms, Delhi.
- [4] Prakesh Javadekar, "IoT-Based Smart Garbage System for Efficient Food waste management", *The Scientific World Journal* Volume 2014 (2014), Article ID 646953.
- [5] B. Vinoth Kumar, K. Sivaranjani, M. Suguna Devi and V. Vijaya Kumar, "IOT Based Garbage Management System", *International Journal of Science and Research (IJSR)*, vol. 6, pp. 99-101, March 2017
- [6] J. Ann Roseela, S. Ravi, M. Anand, "RF Based Node location and mobility tracking in IOT", *International Journal of applied engineering Research*, 2016. ISSN.
- [7] M. Fazio, M. Paone, A. Puliafito, and M. Villari. "Heterogeneous Sensors Become Homogenous Things in Smart Cities", *IEEE 6th International Conference on Innovative Mobile and Internet Services in Ubiquitous Computing (IMIS)*, 2012, pp. 775-780.
- [8] Vikrant Bhor, Pankaj Morajkar, Maheshwar Gurav, Dishant Pandya "Smart Garbage Management System" *International Journal of Engineering Research*.
- [9] C. Balakrishna, "Enabling Technologies for Smart City Services and Applications", *IEEE 6th International Conference on Next Generation Mobile Applications, Services and Technologies (NGMAST)*, 2012, pp.223-227.
- [10] S. Suakanto, S. H. Supangkat, Suhardi, and R. Sarasgih, "Smart City Dashboard for Integrating Various Data of Sensor Networks", *IEEE International Conference on ICT for Smart Society (ICISS)*, 2013, pp. 1-5.
- [11] Bikramjit Singh et.al, (IJCSIT) *International Journal of Computer Science and Information Technologies*, Vol. 7 (2), 2016, 610-611.
- [12] Haesung Lee, Kwangyoung Kim, Joonhee Kwan, "A Pervasive interconnection Technique for efficient information sharing in Social IOT Environment", *International journal of smart home*, 2016.
- [13] Jaehak Byun, Sooyeop Kim, Jaehun Sa, Sang Phil Kim, Youg-Tae Shin, Jong-Bae Kim, "Smart City Implementation models based on IOT technology", 2016.
- [14] Shubham Thakker, R. Narayanamoorthi, "Smart and Wireless Waste Management" in *IEEE Sponsored 2nd International Conference on Innovations in Information Embedded and Communication Systems 2015*.
- [15] Andrei Borozdukhin, Olga Dolinina and Vitaly Pechenkin, "Approach to the Garbage Collection in the Smart Clean City Project" in, *Yuri Gagarin State Technical University of Saratov, Saratov, Russia 2016*.
- [16] Kumar, Narendra, Chandrika Swamy, and K. N. Nagadarshini. "Efficient Garbage Disposal Management in Metropolitan Cities Using VANETs" *Journal of Clean Energy Technologies* 2.3 (2014).