

**A CRITICAL STUDY ABOUT DEMONETIZATION – ITS MERITS,  
DEMERITS AND IMPACTS ON THE SOCIETY****<sup>1</sup>K. L. Rath\* and <sup>2</sup>Touseef Hussain Trak**<sup>1</sup>Dept. of Commerce, Govt. Dr. W.W. Patankar Girls', P.G. College, Durg (C.G.).<sup>2</sup>Dept. of Botany, Govt. Degree College Bhadarwah, (Jammu and Kashmir).Article Received on  
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Dr. W.W. Patankar Girls',  
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A sudden bang in November 2016 brought the country, India, in quite a chaotic condition. All the mechanisms, system, trade, people and the society were found entangled in the trap of chaos and confusion. Life of people suddenly became a big question-mark as how to live, how to earn, invest, and manage the savings. The historic event which affected the economy of the country in its intense way, was what is called Demonetization. It occurs whenever there is a change of national currency. The present paper reviews the various benefits and disadvantages of Demonetization, due to which its different impacts

are being reflected on the common lay-man and the society as a whole.

**KEYWORDS:** Indian government, demonetization, economy, currency.**INTRODUCTION**

The sudden currency-crash-quake declared on November 8, 2016, brought a tornadic revolution in the economic status and the society system of India. The so-called 'Demonetization' occurred in the form of the act of stripping a currency unit of its status of legal tender. Infact, the current decision taken by our present Prime Minister, Shri Narendra Modi, was not a mere impulsive act, but it showed the fore-sightedness that our honorable Modiji held for welfare of the Nation. Demonetization involves the discontinuing of a particular currency.

In the present scenario of the act, the 500 and 1000 section money notes were restricted a lawful delicate. The act occurs when a particular form of money is pulled from circulation and a new note or coin is introduced in the market. This is marked as a replacement of

withdraw form of money. (Dipankar, 2017; Vineet and Ramakumar, 2017; <http://www.newindianexpress.com/nation/2016/nov/08/fake-currencies-black-money-and-terrorism-modis-ban-on-rs-500-rs-1000-can-stop-them-all-1536461.html>).

## OBJECTIVES

There are various specific objectives with which the decision of demonetization was declared by the government. The first and foremost objective is to attempt to make India a corruption free country. As per the Indian Prime Minister, Shri Narendra Modi the bold step of demonetization have been taken to get a control over corruption in the country. The second purpose was to curb black money. Thirdly, it is a step to control escalating price rise. The next objective have been to stop fund flow to illegal activity. The targeting purpose is to fight corruption and counterfeiting. Also, the demonetization in India is considered as a very well planned step of government to earn proper tax from the citizens. (Ghose, 2014; Veerakumar, 2017; Kobad, 2016).

## Pre-demonetization steps by the Government

Much before the announcement of demonetization across the country on 8<sup>th</sup> November, 2016, the government had taken a few steps in this direction. Actually it holds the background to the current decision of demonetization of 500 and 1000 rupees note in India. Firstly, the most important step was that the government had requested the citizens to open free bank accounts under 'Jan-Dhan Yojana'. The awareness extended by the government encouraged common people to deposit their money in 'Jan-Dhan' accounts, and also do their transactions by proper banking procedure only. The second step by the government was an obligation or tax declaration of the income, and had given 30<sup>th</sup> October 2016 as the deadline for this purpose. This enabled the government to mop up a huge amount of undeclared income. (Kobad, 2016).

## Merits of Demonetization

- The financial reformation in India due to demonetization, is to make the country corruption free. This is an appreciating effort as it will be hard for many to keep their unaccounted money.
- According to the Prime Minister, Shri Modi, demonetization is a process to trap the black money holders to track out their money. The individuals who have unaccounted cash are now required to show income and, PAN is required for any valid financial

transactions. The income tax return for the undeclared income can be easily facilitated by the government.

- Financing to the unlawful activities will stop with the practice or policy of demonetization. The unaccounted cash flow is usually responsible for such criminal activities.
- The ban on high value currency will also cease the menace of money laundering. The people so involved can easily be tracked, and it makes easy for the income tax department to take action against the people who are into the business of money laundering.
- Demonetization has enabled to stop the circulation of fake currency. Most of the fake money put in circulation is of the high regard notes. Therefore, the restricting of 500 and 1000 notes will get rid of the circulation of fake money.
- This was a boon for the people who are the supporters of the Prime Minister's Jan-Dhan Yojna, as their money here is absolutely safe and useful. Their cash deposited under this scheme can be used for the developmental activity of the country.
- The demonetization approach will drive people to pay compensation evaluation frames. Regardless of the deposits upto Rs. 2.5 lakh that will not come under Income tax scrutiny, individuals are required to submit PAN for any deposit of above Rs.50,000 in cash. This will help the compensation evaluate office to track individuals with high denomination money.
- The conclusive objective is to make India a cashless society. All the monetary transactions must be made through the banking methods, and individuals are thus responsible for each penny they process. (Veerakumar, 2017; <http://www.dnaindia.com/money/report-demonetisation-tohave-positive-impact-on-economy-godrej-2282372>).

### **Demerits of Demonetization**

- Demonetization of currency has caused enormous inconvenience to the common people of all the sects. Rushing to the banks and ATMs to exchange deposit or draw bank notes, has caused huge chaos. People are confused as they are caught between the job affairs and monetary struggle. Tempers are running high among the masses. The circulation of new money has affected not only the personal life of the people, but business too is affected significantly.

- Poor and daily wage workers are left with no occupations. Their consistent pay has stopped, because their employers are unable to make payments in proper time. Step-by-step wage workers and their families are going through tough times due to non-payments.
- It is getting difficult for the government to put new currency into circulation. It has to bear the cost of printing of the new currency notes too. The 2000 rupees note is a burden on the all inclusive community as common layman does not easily do transaction with such high value currency. (Jai, 2017; <http://indianexpress.com/article/india/india-news-india/the-un-real-estate-demonetization-process-100-500-rupee-note-narendra-modi-black-money-4372286>).

### **Impact on the Society**

With demonetization policy, the country has witnessed a strong financial reform. But this decision has brought along its own merits and demerits. The routinary life of the people has been affected a lot. Impatience, confusion, monetary loss, confusion about savings and investment has caused huge disturbance in the normal life of the people. Tempers are running high among the citizens due to the delay in the circulation of new currency. The expenses that dawn suddenly like hospital and school fees, emergency funds etc. has left people to bear the crisis in every sense. The business has been significantly affected, and the entire economy has been made to come to a standstill. (Lokesh, 2017; <http://en.wikipedia.org/wiki/Indian-black-money>)

### **DISCUSSION AND CONCLUSION**

The sudden announcement of the demonetization of the currency has made the situation become chaotic. With the ripples brought about in the normal life of the people, the policy has doomed upon on business and economy. Many people have discarded the demonetized currency notes as the sheer waste paper bits, and this is a huge monetary loss to the country's economy. Economists are busy in enlisting the array of merits and demerits of this policy.

However, if we compare the merits verses demerits, it will be safe to conclude that the former outweighs the latter. After a year of implementation, now the beneficial changes are being realized. The Indian economy has been formalized, and better job opportunities have been ensured for the poor. The growth rate of imports zoomed by 23-25% in a year. All cash withdrawn has been translated into a rise in bank deposits. The nation has witnessed

noticeable reduction in storing the black money and also the money in circulation. Demonetization came as a decisive blow to terrorism and naxalism.

Eventhough, the day, November 8, 2016, is talked about as the 'Black day' for the Indian economy and democracy, the policy implementation has proved fruitful to a large extent after a year now. Despite the suffering and agony among the masses in the due course, the forecast about its benefits are worth proving. The government is taking all the necessary steps and actions to meet the currency demand, and also to help the people with the smooth flow of the new currency. The ultimate objective to make India a cashless society and black-money free country is being fulfilled. As the citizens of India, let's all together support the giant step of 'Demonetization' towards the dream of making a 'Digital India'. (Varshith JR, 2016; <http://www.economist.com/news/finance-and-economics/21711035-withdrawing-86-value-cash-circulation-india-was-bad-idea-badly>).

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