

# A Study on Pre- and Post-Analysis of Demonetization Period: Issues and Challenges

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## Abstract

The principle pointed of demonetization was to address defilement, black money, fake money and fear financing. The measure impact of demonetization on consumption, production, investment and savings of the economy. Although demonetization have huge potential benefits in the medium to long term working of the economy but caused some short term disruption in the economy. This paper studies the issues and challenges faced by the common man during demonetization period and analyzed the pre- and post-period of demonetization. The investigation in this paper observed that demonetization affected different area of the economy in the month of Nov-16 and Dec-16 and the effect directed fundamentally in Jan-17 onwards. An increase in banks deposits by 15.7% and 14.9% in Nov-16 and Dec-16 respectively created large surplus liquidity conditions. These were overseen by RBI by the monetary policy. There has been a sharp increment i.e. 9.02% in the number of accounts under Pradhan Mantri Jan Dhan Yojana and the deposits in such accounts have also increased. The paper has also studied the impact of demonetization on the new gateway of electronic payment i.e. NEFT, CTS, IMPS and NACH. During Dec-16 and Jan-17 the IMPS registered the maximum y-o-y growth rate of 157.2% and 177.7% respectively.

**Keywords:** Demonetization, Black Money, Digitalisation, RBI, GDP

## Introduction

Demonetization of currency means when face value of a coin or paper currency loses its legal tender status in the economy. It is an act of replacing old unit of currency with a new currency unit. Alternatively, we can say withdrawal of a specific currency from the market. By demonetization

of currency, in the short run the cash in circulation would be substantially reduced from the economy. There would be two reasons for demonetization one being to control counterfeit notes that could be contributing to terrorism and second reason is to eliminate black money from the economy.

## History of Demonetization

The process of demonetization is not new for the world. In the past many countries of the world like Soviet Union, North Korea, Libya, Zaire, Ghana, Myanmar, Nigeria, Zimbabwe, Australia, Libya, Iraq and the European Union. In February 1971, the United Kingdom and Ireland had likewise decimalized their monetary standards. In 1982, 50 cedi notes were pulled back in Ghana, in 1984 Nigeria's military government under Muhammadu Buhari had supplanted old notes with new once to kill defilement in the nation and in 1987 Myanmar's around 80% of the estimation of cash available for use was nullified by the military junta, which had come about into political agitation in the nation.

In January 1991, the past Soviet Union had pulled back extensive rubles bills with the purpose of going up against the dull money. The invalidation of 50 and 100 rubles notes had incited the invalidation of around 33% of trade accessible for use out the Soviet Union. Be that as it may, this cash change to battle with danger of dark cash neglected to give any positive outcome and the legislature could not stop the expanding high swelling.

Individuals lost their confidence in the administration of Mikhail Gorbachev lastly on December 25, 1991, this came about into the separation of Soviet Union. In 1993, the Zaire government under the autocracy of Mobutu Sese Seko had attempted the way toward pulling back

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outdated cash from the framework, which prompted unexceptional expansion in the nation following which nation confronted a common war which came about into rejection of President Mobutu in 1997.

In 1996, Australia had supplanted all paper-based notes with polymer certified receipts with the point of halting far reaching duplicating. Such polymer notes were produced by the Reserve Bank of Australia (RBA), Commonwealth Scientific and Industrial Research Organization (CSIRO) and the University of Melbourne and Australia turn out to be first nation in the world in presenting such kind of cash.

Later in 2010, North Korea, under the autocracy of Kim Jong-II had started money change in the nation to kill bootleg trades and in addition to fix government's authority over the economy. In 2012, Libya's national bank had likewise pulled back old cash notes to reestablish liquidity when huge segments of assets were not being kept in the nation's banks. Then, amid 1998–2000 the European Union (EU) attempted world's greatest exercise of formation of a solitary cash called European (Euro), which prompted demonetization of different monetary standards of the part nations.

Now and again, a few nations had given adequate occasions to its nationals and other worried to trade old monetary standards with new ones. In 2002, the European Council (EC) had supplanted countless and EU nationals were given two months time. In Philippines the administration had declared to pull back old peso notes in December 2014 beginning from January 2015 yet permitted to its clients to supplant the pulled back note up to January 2016. So also, in 2009, when the US dollar was pulled back as a Zimbabwean cash, residents were allowed a three-month window before supplanting the dollar.

In mid-2015, the State Bank of Pakistan (SBP), or, in other words bank of the nation, had reported that all old structure certified receipts would stop to be legitimate delicate from December 2015. Prior in March 2015, the SBP had coordinated all business and microfinance banks not to issue old planned certified receipts from April 1, 2015. The SBP had begun issuing new notes from the year 2005 and finished this procedure before the finish of year 2008, when every other division got new plans. It was done mostly to enhance the security and toughness of the Pakistani cash notes.

By chance, referring to India's case of demonetization, Pakistan People's Party (PPP) Senator Osman Saifullah Khan, submitted (November 11, 2016) a goals in the Senate, the Upper House, requesting that the Pakistan government pull back 1,000 and 5,000 rupee notes from dissemination in the nation to handle defilement.

In spite of expected feedback of Prime Modi's choice of demonetization of existing Rs. 500 and Rs. 1,000 by driving resistance gatherings of the nation, lion's share of the compatriots, distinction youth have favored it disregarding the hardship looked by them in trading the old cash with new notes.

Pundits expect that demonetization of notes may have some negative impacts in infrastructural and lodging undertakings and online business for the present. In any case, it would have positive outcomes likewise, for example, picking up by banks, cutting down store and loaning rates, better expense accumulation, bigger financial balances and increment in assessment distribution and GDP development. In any case, the best impact would be controls on dark cash in the nation.

## Justification

On 8 November 2016, the government demonetised currency notes of two denominations: Rs. 500 and Rs. 1000. Together, cash notes of these categories had represented over 85% of the aggregate estimation of banknotes available for use. Subsequently; it caused the trade smash out the economy for shorter period. So this paper attempted to study the issues and challenges of demonetization of Indian currency and analysis pre and post demonetization period consumption, production, investment and savings activities of the people.

## Review of Literature

As per Dr. Pratap Singh and Virender Singh in paper titled "Effect of demonetization on Indian economy" reasoned that if the cash vanishes as a few hoarders might not want to be seen with their money heap, the economy would not profit. Then again if the cash discovers its way in the economy it could have a significant effect. Anyway encounters from various nations demonstrates that the move was one of the arrangement that neglected to settle an obligation troubled and inflation ridden economy.

As per Nikita Gajjar in her paper titled “Dark cash in India: Present status and future and difficulties and demonetization” demonstrates distinctive parts of dark cash and its association with approach and managerial measures in our nation. It additionally mirrors the strategy and systems that the legislature has been seeking after with regards to ongoing activities, or need to take up sooner rather than later, with the end goal to address the issue of dark cash and defilement out in the open life.

As indicated by Shweta Mehta paper titled “Demonetization: Shifting riggings from physical money to advanced money” the demonetization move could change the substance of the Indian economy. This is a stage which will have a beneficial outcome, if the progress difficulties get took care of well by the organization.

According to Arpita Mukherjee and Tanu M. Goyal article title “Less-Cash Economy: India vis-a-vis the world” comparing India with some of the other countries shows that the currency in circulation in India is higher than many developing and developed countries. In 2015 the share of cash circulation in the economy as a % of GDP of India was 12.3% as compared to 3.8% in Brazil, 5.6% in South Korea and 1.7% in Sweden.

According to Timsy Jaipuria article title “Less Cash Economy: Impact on Black Money” the article concluded that, as India decided to fight against shadow economy on Nov-16 what helped in pulling up the day to day transactions was the fact that peoples could use alternatives of cash. With the nation moving better approach for closing installments, i.e., by utilizing credit/platinum cards, electronic wallets, portable saving money etc. what is got hit is the development of money.

According to S.Y. Quraishi article title “Demonatisation: Impacting election” concluded that the unprecedented step of demonetization may hopefully turn out to be a blessing in disguise for conducting free and fair elections.

## Objectives of the Study

- To study the concept of the demonetization.
- To study the issues and challenges of demonetization.
- To study the pre and post period of demonetization

on the different sector of economy.

## Research Methodology

This research paper is based on secondary as well as primary data. Some selected secondary data are Central Statistical Organization (CSO), Niti Aayog and other publically available publications. Based on this secondary sources, we investigation the positive and negative effect of demonetization on the Indian economy. For data analysis the period which has been taken for this study is Oct-16 to Feb-17. The primary sources which are used for analysis are opinion of experts, economist, financial advisors and other subject experts.

## Limitation of the Study

Following are the limitation of the study:

- Non availability of sufficient data and literature.
- Lack of sufficient time to analysis the impact of demonetization on economy.

## Issues of Demonetization

*Bribery and Corruption:* In India bribery and corruption are the significant challenges. The 2015 Transparency International Corruption Perceptions index ranked India 76 out of 176 compared to its neighbors Bhutan 27th rank, Bangladesh 139th rank, Myanmar 156th rank, Nepal 130th rank, Pakistan 117th rank and Sri Lanka 84th rank. Following are the areas which are most vulnerable to corruption.

- Real estate: Peoples, for example, government officials, specialists and NRI’s regularly utilize trade to purchase property out the name of their relatives or confided in workers without settling the regulatory obligation. It has been noticed that amid purchasing and offering of property the land engineers for the most part request 70% installment in line and 30% in real money.
- Tendering processes and awarding contracts: Construction exercises, for example, streets and scaffolds development work are ruled by development mafia i.e. gathering of degenerate government officers, materials providers, legislators and development

temporary workers. As indicated by World Bank report just 40% of store passed out for the poor contacts its required people groups, because of defilement all social spending contract turned out to be squander.

- Education: Corruption in instruction framework achieved an untouched high; especially when the country pictures training as a driver of growth. Vyapam trick and DMAT trick are the couple of precedents which demonstrate defilement in training framework. Numerous private schools like therapeutic, designing and other expert courses request capitation expenses
- Bureaucracy: To complete the work in an open office the general population need to pay influences. Expenses and influences are basic between states outskirts Transparency universal gauges that truckers pay every year Rs. 222 billion in bribes.
- Money Laundering: In India illegal tax avoidance is prevalently known as Hawala exchange. According to Anti Money Laundering (AML) Basel Index, out of 149 nations, India has been positioned 93rd out of 2012, 70th in 2013 and 78th in 2016. High section notes are anything but difficult to exchange starting with one place then to the next place.

*Black Money:* The world bank in July 2010 estimated the size of the black money for India at 20.7% of the GDP and rising to 23.2% in 2007. A black money damage country's economy. It generates inflation which adversely affects the poor and the middle classes more than the others. It reduces government revenue which could have been used for welfare and development activities. Following are the ways where black money are used.

- Election Poll: It has been noted that in 2014 Lok Sabha election different election party spend Rs. 30,000 crore of black money while the official data was Rs. 7,000–8,000 crore.
- Transfer Pricing: Some Indian corporate under-invoicing their exports and over-invoicing their imports from tax heaven countries. In this way the promoters of public limited companies transfer their unaccounted money.
- Participatory notes (PNs): High net worth investors (HNI), channelize their black money in the Indian stock market through P-notes'-notes are legally issued by FII's without KYC norms.

- Swiss Bank A/C: As per CBI in February 2012, that around US\$500 billion of illegal money is stored in tax havens countries mainly in Swiss bank a/c, it's an hint of scam involving ministers.

*Fake Indian Currency note:* The flow of phony cash in category of Rs. 500 and Rs. 1,000 are similarly bigger when contrasted with other section notes. It is difficult to recognize the fake currency notes which are similar to genuine notes. India import its paper for printing notes from American Banknote Company (USA), Thomas De La Rue (U.K.) and Glesecke and Devrient Consortium (Germany). The fake currency generally printed by Pakistan. In Indian economy the high denomination note printed on the paper which is brought from Thomas De La Rue the U.K. based company, the same company supplied paper to Pakistan also. Thus, high denomination value note like Rs. 500 and Rs. 1000 can easily printed by Pakistan. As per RBI, in 2015–16 the total Indian currency notes in circulation was 90.26 billion out of this not more than 0.63 million i.e. 0.0007% were detected fake currency. The value of fake notes in 2015–16 was Rs. 29.64 crore, which is 0.0018% of the Rs. 16.41 lakhs crore. The estimation of phony cash available for use at some random time is Rs. 400 crore, and 250 in each million notes are phony money, as indicated by joint examination led by the Indian Statistical Institute (ISI) and National Investigation Agency (NIA) in the year 2015.

## Challenges of Demonetization

A few people are against demonetization and some are looking forward with hope that something good will happen to our nation and to regular man's life. Followings are the sort of difficulties a typical man were faced:

- *Lack of Money in ATM:* Many people rely upon ATM services as it's easy to withdraw money and saves a lot of time. Due to demonetization, there were long lines in front of ATM, inspite of waiting for long hours, they were not received the money. Likewise many do not have the time to go stand in queues due to few issues like old age or awful health and so on.
- *Currency Change Not Available:* Many individuals who are getting Rs. 2000 note from banks or ATM are not ready to get the change as none of the shopkeeper is prepared to give change of Rs. 1800 on

buy of Rs. 200 so change is a major stress now a days to regular individual.

- *Usage of Online Transaction:* Use of online transaction is one of the best solution but challenge is that many individuals who are of old age do not utilize smart phone and if they use then also big ratio among them is of individuals who do not feel secure on exchanging the cash through online.
- *Medical Treatment:* The most bad hit are the individuals who are not on plastic money and need to deal with urgent medical treatment. The private clinics and chemist are not tolerating old notes nor extending credit.
- *Marriage Functions:* The individuals permitted to withdrawal of Rs 2.5 lakh in cash. Even for that amount a lot of restriction have been imposed. Many are not getting Rs 2.5 lakhs because of deficiency of cash in the bank.
- *Daily Wagers:* Unskilled workers and daily wagers are jobless as their employers need cash to pay them in cash. online transaction was not suitable for them.
- *Foreign Tourists:* Foreign tourists who have withdrawn cash after arriving to India are among the most bad hit. Rather than enjoying the holidays in India they are hurrying around in an outsider land, endeavoring to secure legal currency. The negative criticism to the tourism industry which will influence its reputation.
- *Property Prices:* With less potential purchasers in the market and less individuals having white money, the demand for the land goes down and drives down its cost. This accelerate the demand for land holding which could drive the property costs higher later on.
- *Wholesale Shopkeepers:* The trader class, is influenced given that most of wholesale shopkeepers keep liquid cash to purchase material consistently. Not every traders keep cash in a bank. Huge numbers of traders have incurred losses as a result of the liquidity drying up in the market.
- *Construction and Automobiles:* The Construction sector of the economy was affected unfavourably. This sector works with a lot of cash so, it affected badly. On the other hand the demand side, the demand for houses and buildings would show up as a demand for unnecessary items and may be postponed until the point that the economic situation get standardizes.

The Automobile sector has also been facing discouraging situation as the sales of motor vehicles significantly come down. Public is afraid of purchasing vehicles out of their own funds. Previously certain share of the cost price of the vehicle is met out of black money.

- *Investment and Employment:* To keep the economy going on, both the retailers and different operators in the economy may make supplies on credit with the expectation that in future the payments can be realized There would be a reduction in the demand for non-essential items in the economy due to uncertainty in the availability for cash. The demand from segments which approach advanced medium of trade would stay unaffected, but rest of the medium of trade would get affected. The real estate sector would be seriously affected. Investment in construction sector would also affect negatively and the employability openings in the said segment would also be limited.
- *Farmers:* It is well established reality that in our Country the Agriculture sector has been providing larger employment opportunities both directly and indirectly. The maximum transaction in this fragment of the economy are carried out through cash. With the demonetization of Rs. 500 and Rs. 1,000 notes from the economy, sale of kharif crop would be troublesome unless the crop was sold on the guarantee of payment in future. The bargaining power of the farmers was less, so the value they could receive by selling the crop got reduced substantially. On the other hand, in the sowing activity, individuals would not access the inputs required since the vast majority of the inputs are obtained from the market unless they got credit from the suppliers Further, if there are individuals who do not get credit from the informal sector.

### Analysis of Pre- and Post-Demonetization Period

Table 1 clearly indicates that after November 2016 the y-o-y growth rate of major macro-economic indicators decline-money supply (M3), currency in circulation, bank credit and indirect and service tax collected by central government. The service tax collection-lead indicator for communication and other services enrolled a growth rate of 43.9% in Nov-16, however decelerated to 13.1% in Dec-16 and further to 12.1% in Jan-17.

**Table 1: Sectorial Indicators (y-o-y growth %)**

Periods	Apr 16 -Oct 16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
M3	6.4	10.4	8.5	6.6	6.4	6.5
Currency in Circulation	6.9	17.2	-23.6	-39.9	-37.8	-28.2
Bank Credit	1.8	8.4	6.2	4.9	4.7	4.5
Indirect tax collections	24.7	23.4	36.5	20.2	13.9	15.3
Service tax collections by the centre	25.2	29.6	43.9	13.1	12.1	5.3

Source:RBI

Table 2 shows agricultural and industry y-o-y growth rate, within industry electricity generation was expected to have impacted least, with the share of the unorganized sector close to zero (employment). In Nov-16 and Dec-16, electricity generation shoot up by 8.9% and 6.3% respectively, which was higher than the average growth of 4.5% recorded during Apr–Oct-16. In Jan-17, it decreased to 3.9%. As compared to last three months coal production was also shoot up by 6.4% in Nov-17, 4.4% in Dec-16 and 4.8% in Jan-17.

From Tables 2 and 3 it is clear that manufacturing sector was affected adversely. The decrease in the sales of fast moving consumer good and automobiles in all the month from Nov-16 to Dec-16. The table also clearly mention that compression in purchasing manager index (PMI)-manufacturing in Dec-16 for the first time in the year 2016. Export growth rate was also reduced (Tables 2 and 3). As per the information released by the society of Indian automobile manufacturing (SIAM) the auto sales shrunk by 4.7% in Jan-17 however came back to development mode by 0.9% in Feb-17. In the two-wheeler and three-wheeler segment, the effect was extreme as we can see in the Tables 2 and 3. The PMI manf index in Jan-17

and Feb-17 and export growth in Dec-16 and Jan-17 was bounced back.

A few segments in the service sector (Table 3) seemed to have been adversely impacted. For the first time after Jun-15, service PMI fell forcefully from 54.5 in Oct-16 to 46.7 and 46.8 in Nov-16 and Dec-16 respectively. In spite of change in Jan-17 to 48.7, it stayed in compression mode. In Feb-17 the index at 50.3 came back to modest expansion mode.

Production of cement one of the fundamental indicator of construction sector decelerated sharply in Nov-16 and shrunk by 8.7% and 13.3% in Dec-16 and Jan-17 respectively.

Sales of commercial vehicles (CV) – a pointer for transportation activity-shrunk by 11.6% in Nov-16, 5.1% in Dec-16 and 0.7% in Jan-17 as against normal development of 6.9% in Apr-Oct-16. In Feb-17, it expanded by 7.3%.

Sales of passenger vehicle (PV) was also decelerated to 1.8% in Nov-16 and shrunk by 1.4% in Dec-16, yet bounced back 14.4% in Jan-17 and extended by 9% in Feb-17.

**Table 2: Sectorial Indicators (y-o-y growth %)**

Periods	2016-17	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>AGRICULTURE</b>						
Foodgain production	8.1	N.A.	N.A.	N.A.	N.A.	N.A.
<b>INDUSTRY</b>	Apr-Oct 16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
PMI manf.Index	52	54.4	52.3	49.6	50.4	50.7
IIP	-0.3	-1.9	5.7	-0.1	2.7	N.A.
(i)Mining	-0.2	-0.9	3.7	5.5	5.3	N.A.
Coal	0.7	-1.6	6.4	4.4	4.8	N.A.
Crude Oil	-3.3	-3.2	-5.4	-0.8	1.3	N.A.
Natural gas	-4	-1.4	-1.7	0	11.9	N.A.
(ii) Manufacturing	-1	-2.4	5.5	-1.7	2.3	N.A.
(iii) Electricity	4.5	1.1	8.9	6.3	3.9	N.A.

Source:RBI & CSO

One of the most important component of service sector is financial services. The normal development of deposit and credit (a key pointer for financial services) remained to a great extent unchanged after demonetization. Insurance premium, another key pointer, recorded a y-o-y increment of 72.1% in Nov-16 before moderating in Dec-16 and Jan-17.

In transportation, domestic air passenger traffic growth was robust at 22% in Nov-16 and 23.9% in Dec-16 and 25.6% in Jan-17, like the normal development in Apr-Oct-16. Domestic air cargo traffic activity shrunk by 0.6% in Nov-16, but revived to 7.5% in Dec-16 and 10.1% in Jan-16. Development in international cargo traffic and international passenger traffic registered a solid growth rate of 15.4% and 7.7% respectively in Nov-16.

**Table 3: Sectorial Indicators (y-o-y growth %)**

Periods	Apr-Oct16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
SERVICES						
PMI Services	52.6	54.5	46.7	46.8	48.7	50.3
Automobile sales	15	8.1	-5.5	-18.7	-4.7	0.9
C.V. sales	6.9	11.9	-11.6	-5.1	-0.7	7.3
P.V.sales	11	4.5	1.8	-1.4	14.4	9
Three wheelers sales	11.8	4.4	-25.9	-36.2	-28.2	-21.4
Two wheelers sales	16	8.7	-5.9	-22	-7.4	0
Cargo handled	6.3	13.2	10.2	12.9	3.6	N.A.
Railway freight traffic	-1.7	-2.6	5.5	-0.1	0.3	N.A.
Tourists arrivals	10.8	10.4	9.2	13.6	16.4	N.A.
Cement production	4.8	6.2	0.5	-8.7	-13.3	N.A.
Steel production	2.7	0.3	5	5.3	3.1	N.A.
Civil aviation:domestic cargo traffic	7.5	10.6	-0.6	7.5	10.1	N.A.
Civil aviation:international cargo traffic	9.2	15.6	15.4	12.6	16	N.A.
Civil aviation:international passenger traffic	9.1	7.4	7.7	7.7	8.8	N.A.
Civil aviation:domestic passenger traffic	22.5	23.6	22	23.9	25.6	N.A.
Bank deposits growth	6.4	9.3	15.7	14.9	13.5	12.6
Insurance premium	31.1	22.4	72.1	21.1	32.1	-4.5
Merchandise exports	0.2	9	2.4	5.5	4.3	N.A.
Merchandise imports	-9.8	8.3	9.4	0.1	10.7	N.A.

Source:RBI & CSO

The Table 4 indicate growth in consumer durable segment-the fast moving consumer goods (FMCG) growth during Oct-16 and Nov-16. In consumer durable washing machine growth was robust at 116.7% in Oct-16 and contracted drastically 31.7% in Nov-16. In the same fashion other category of consumer durable segment got similar contraction in sales (Table 4).

**Table 4: Growth in Consumer Durable Segment**

Category	Volume growth		Value growth	
	Oct-16	Nov-16	Oct-16	Nov-16
Microwave	90.6	-53	90.7	-51.5
Refrigerators	74	-41.2	73.4	-40.3
Air conditioner	1.8	-34	4	-33.8
Washing machine	116.7	-31.7	113.1	-34.4
Flat Panel TV	94.7	-30.4	99.4	-26.6

Source:GFK-Nielson

## Currency in Circulation

As per the data available with the RBI up to 97% of the demonetized bank notes have been deposited into banks which have received a total of Rs. 14.97 lakhs crores as on Dec-16 out of the Rs. 15.4 lakhs crores that was demonetized, of the 15.4 lakhs crores demonetized in the form of Rs. 500 and Rs 1000, Rs. 9.20 lakhs crores in the form of Rs. 500 and Rs. 2,000 bank notes of the new series came back on 10<sup>th</sup> Jan, 2017 two month after the demonetization.

**Table 5: Currency in Circulation (In lakhs crores)**

Date	Currency in Circulation (In lakhs crores)
08-11-2016	15.44
18-11-2016	1.36
28-11-2016	2.49
07-12-2016	4
21-12-2016	5.93
10-01-2017	9.2
24-02-2017	11.64
28-04-2017	14.06

Source: RBI

## Schedule Commercial Bank

Decline in currency in circulation on account of demonetization led to increase in bank deposits. As per Table 6 aggregate deposits of schedule commercial bank increased by Rs 6261 billion during Oct 14, 2016 to Feb 3, 2017. Bank credit extended by schedule commercial banks increased by Rs 1,168 billion.

**Table 6: Schedule Commercial Banks Business (In Billion)**

Particulars	Oct 14, 2016	Feb 3, 2017	Variation
Bank Deposits	99363	105624	6261
Bank Borrowings	2972.3	3200	228
Bank Credit	73622	74790	1168
Inv.t.in Govt securities	28852	34712	5860

Source: RBI

## Pradhan Mantri Jan Dhan Yojana

Post-demonetization 278.3 million new accounts were opened under the pradhan mantra jan dhan yojana (Ref. Table 7). Deposits under PMJDY accounts increased

drastically post demonetization. The aggregate balance in PMJDY deposits account jumped to Rs 746 billion as on Dec 7, 2016 from Rs 456 billion as on Nov 9, 2016, registered an increase of 63.6%. The government of India had watched this movement in PMJDY and issued a notice against the abuse of such accounts.

**Table 7: Number of Accounts-PMJDY (In million)**

Particular	Nov 9, 2016	Mar 1, 2017
Public Sector Banks	203.6	222.9
Regional Rural Banks	43.1	46.4
Private Sector Banks	8.4	9
Schedule Commercial banks	255.1	278.4

Source: www.pmjdy.gov.in

## Digital Modes of Payments

After demonetization people were motivated to use cash less transaction. Table 8 mention year on year growth in % in most of the banking transaction which was done through internet banking like NEFT, CTS, IMPS and NACH during the pre and post demonetization period. After the declaration of demonetization, electronic method of payments were low in the underlying weeks as individuals were occupied in saving/trading old cash. In Dec-16, digital payment activity increased drastically. The digital payments were good in Oct-16, mainly on account of festival season. The growth rate further pick up in some components of digital payment from nov to Jan-17 (Ref. Table 8). Later on, the pace of growth moderated in Feb-17.

**Table 8: Digital Mode of Payment (Y-o-Y growth in %)**

Category	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
NEFT	Volume	16.2	23.3	39	38
	Value	37.6	38.3	40.8	60.2
CTS	Volume	-1.1	23	58.4	52.7
	Value	2.9	8.6	13	19.3
IMPS	Volume	116.7	89.6	157.2	177.7
	Value	150.7	135.9	186.6	196.7
NACH	Volume	53	30	58.3	19.8
	Value	89.8	76.3	116.7	22.8

Source: RBI

## Findings

Following were the findings of the study

- Demonetization have a positive and negative impact on the society, but it is clear that it has a negative impact on the short period due to significant changes made by the government of India through demonetization. Demonetization have also negative effect on consumption, production, savings and investment. In caseless economy it is not easy to improve these sector over the short period. GDP is also slow down for next 2 to 3 years due to demonetisation, but apart from these negative effects it has also a positive effects on Indian economy that is it is helpful to prevent fake money, corruption, black money in the economy. After 3 years the GDP growth will be faster because the parallel economy should be totally stopped.
- As per the study the impact of the demonetization on the Indian economy has been for short period. The analysis of the study period suggest that demonetization impacted various sectors of the economy for short period mainly in the month of Nov-16 and Dec-16. After that the impact got moderated in Jan-17 and Feb-17.
- The organised sector of the economy remained unaffected mostly. The impact of demonetization was depicted in the real estate and construction.
- As the currency in circulation declined during study period and deposits with the bank increased. This create huge liquidity in the banking system which was managed by the RBI through the investment in reverse repo, investment in government security and other monetary policy tools.
- There has been a drastic improvement in the use of digital modes of payments after demonetization which led to cashless economy.

## Suggestion

Although demonetization has a negative and positive effect on the economy but there should be a need to take care of a improvement by implementing the following suggestions.

- Demonetization has a major negative effect on the survival of daily wages, homemakers, sex workers,

common men thus government of India should generate job opportunity for the better survival of life.

- Government should promote self-employment through training, financing and subsidies.
- Government should give training to common man so that they become user friendly to caseless economy.

## Conclusion

In spite of the initial hiccups and disruptions in the economy, this change will be all around acclimatized and over the long haul it will demonstrate positive for the economy. Since black money does not mean cash, squeezing out money won't influence black money. As per the study cash is only 1% of the total black wealth and doesn't affect black income generation. So, demonetization did not affect black economy at all. In any case, unorganized sector was hit hard as it work largely on money (Indian economy works 76% in real money exchange) than the organised sector. Digitization assist organised sector as contrasted with unorganized sector.

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## Abbreviation

RTGS	–	Real Time Gross Settlement
NEFT	–	National Electronic Funds Transfer
CTS	–	Cheque Truncation System
IMPS	–	Immediate Payment Service
NACH	–	National Automated Clearing House
UPI	–	Unified Payments Interface
USSD	–	Unstructured Supplementary Service Data
POS	–	Point of Sale
PPI	–	Prepaid Payment Instrument