

DEMONETISATION: A POWERFUL TOOL WHICH CHANGE THE FACE OF INDIA

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Abstract: “ *The poor who have welcomed the decision are sleeping peacefully, while those with black money are looking for sleeping pills*”. - *Narendra Modi(Prime Minister of India)*.

These day a burning issue , not in the India any but also in the entire world is – ‘Demonetisation’. Demonetisation is a not a new concept in India , this concept was came in 1946. In the Indian history, our Prime Minister, Mr. Narendra Modi announced one of the boldest move on the 8th November , 2016 i.e. ‘Demonetisation’. It means withdrawal a particular currency from a circulation in an economy.

Mr. Modi delivered a surprise reform to the nation on 8th November , 2016 i.e. ‘Demonetisation’. He declared that the 500 and 1000 rupee notes are invalid now. And Reserve Bank Of India issued new notes of 500 and 2000 rupee notes. Our Prime Minister, Mr. Narendra Modi said in an address to the Nation after the cabinet meeting – ‘Black money and corruption are the biggest obstacles in the eradicating poverty’.

As we know that , these day our country move towards a cashless environment just because of demonetization Government take many steps to make people aware about the cashless transaction. All of you knows that we are living in 21st century right now, which is more advance. Every thing in the world become automatic and digital these days , because this era, is the era of innovation , technological , advanced, modern and competitive era. This study focused on the memorable and golden days of ‘Demonetisation’.

Key Words: *Demonetisation, memorable, cashless, eradicating, digital, technological, corruption.*

1. INTRODUCTION:

Our Prime Minister Mr.Modi announced one of the boldest move in the history of India’s socio-economic serve – demonetization of old rupee 500 and 1000 notes on the evening of 8th November , 2016. After this new notes of rupee 500 and 2000 were issued into the economy. The concept of demonetization is not very common among in the Indian because they are less aware about this concept.

Now our Indian economy will moves towards the digitization of economy transactions. The demonetization is a vital moves comes as a part of the Modi’s war against the black money. A surprising thing is that in India, approximately 49% adult do not have a bank account.

This paper proceeds as follows – Firstly, I explain the history of demonetization in India. Secondly, I briefly review the literature on it. thirdly, I explained meaning and definition of demonetization. Fourthly, I explained memorable movements and golden day of demonetization. Fifthly, I explained demonetization is a powerful tool of win the war on the black money. Sixth, I explained goining cashless; good for you? Seventh, I explained effective utilization of cash, and finally I give my conclusion on this topic.

2. HISTORY:

Demonetization is not a new concept in India. This concept was came in India in 1946. Most significant and freshest instances of demonetization in India are:

In 1946- Notes of 1000 and 500 were declared invalid as legal tender on 12th January.

In 1954- the new notes of 500 , 1000 and 10000 come in the Indian economy.

In 1987- A new bank note of 500 introduced by the Reserve Bank Of India into our Indian economy to contain inflation .

In 2016- finally, in our country old notes of 500 and 1000 were banned and new notes of 500 and 2000 issued on 8th November,2016.

In spite this , 1,2,3,5,10,20 and 25 paise were in circulation till the 13th June 2011, but after this withdraw from our economy. But still, 50 paise coins were circulation and these coins called small coins. But these coins also withdraw from the Indian economy.

At present 1,2,3,5,10,20,25 and 50 paises are not into the circulation in Indian economy now.

3. LITERATURE REVIEW:

In 2010, Dater in his article entitled 'why the code must be shelved' expressed his views and opinion about proposed Direct Taxes Code. In 2007, Singh and Sharma made an attempt to study the perception of professionals of tax with regards to Indian Income Tax System.

Mr. Kumar , Nagar and Sananta try to examine the effectiveness of administration of Direct Tax in India by applying the econometric model in 2007.

Kumar in 2006 attempted to evaluate efficiency of revenue from Income Tax. And in the same year Torgler tried to examine the outlook of citizen's towards tax compliance in India.

In 2005 Mr. Arora R.S. and Kumar attempted to study the Income Tax Department's performance. In 2004, Sarkar examined the crucial issues related to tax incentives in India by comparing with other countries . in 2003, Sidu carried out a study to ascertain the effectiveness of reforms of direct tax introduced during the post liberalization period.

In 2002 Task Force On Direct Tax – it was asked to suggest the measures to simplify and rationalize direct taxes , improvement in taxpayers service. In 2001 , Dipankor et al. – evaluated the relative tax performance of a group of 16 states of India . in 2000 , Rikahy & Om Parkash – examined the tax structure in India .

4. MEANING OF DEMONETISATION:

The simplest meaning of demonetization is – withdrawal of a particular currency from a circulation in an economy.

DEFINITION OF DEMONETISATION

An act of stripping a particular currency unit of its status as a legal tender called demonetization . It is essential whenever there is a change of national currency.

THE MEMORABLE AND GOLDEN DAYS ON WHICH OUR PRIME MINISTER MR. NARENDARA MODI ANNOUNCED DEMONETISATION.

Mr. Modi declares Rs. 500 and Rs.1000 notes invalid. Upto Rs.4000 exchange of cash allowed by the PM and the withdrawal limit for the banks and ATM was upto Rs.2000 – on 8th November,2016.

Banks in India is remain shut down for a day- on 9th November 2016.

In India banks open on 10th November 2016. There is a million queues in the banks to exchanges old currency or to deposit their money.

12th November 2016 was the biggest single- day fall in 9 months registered by the Sensex .even a painful report comes that a number of people died while they waiting in the queues for their no.

Withdrawal limit raised on 13th November 2016 upto Rs. 4500 for the cash exchange.

On 15th November 2016, banks were used a special type of ink on the nails of their customers after withdrawing the money.

Parliament session begin on 16th November 2016. Opposition raised questions regarding the suffering of poor people due to demonetization.

On the 17th November 2016 limit of currency exchange reduced upto Rs.2000.

Supreme court of India said on 18th November 2016 that many are ‘Frantic’ over the demonetization.

Reserve bank of India on 22nd November 2016 said- bank have received Rs.5.3 lakhs crore in deposit.

On 24th November 2016 a big announcement was made that the old notes can only be deposited at bank. These notes are not used in the exchange now.

Governor of RBI Mr. Urjit Patel justifies demonetization on 27th November 2016. He said that new notes of Rs. 2000 and Rs. 500 are very difficult to counterfeit.

5. MAIN REASON BEHIND THE MODI’S THIS STEP- DEMONETISATION:

Key issue behind the demonetization – A very big reason behind this demonetization is a fear that our economy system is may be flooded with fake currency. It’s too difficult to identified that which is real currency and which is fake currency. The what happen in our economy due to fake currency. These are as follows-

- Fake rackets and circulation
- Fear mongering and mixed signals by the government
- Notes of rupee 2000 being printed three months ago
- In the banks the deposits is increasing by the past three years

(i) Fake rackets and circulation-

We always hear about various reports of rackets of circulation of fake notes. And we know very well that how badly our economy is affected by it.

(ii) Fear mongering and mixed signals by the government-

According to the GPS being embedded in the new notes to track people, to the Modi’s scaring – assuring people on returning notes. It is strange thing why there is being created a sense of fear while returning notes.

(iii) Notes of rupee 2000 began printed three months ago-

If Modi’s target behind the demonetization was black money and not removing currency all together than its too difficult to understand that why we are printing larger amount notes . It’s a big confusion that what are the real target of Modi behind the demonetization that is- corruption, black money or removing fake currencies.

(iv) In the banks the deposits are increasing by the past three months –

It was nothing but just an indicator to show the government that fake currencies is being absorbed as legitimate into the banking system.

It is terrorism of a far greater and deeper kind that a country is flooding with fake notes . As we know that cash is a liability on the RBI balance sheet and it promises to pay people the amount in on a currency note .

As we know that equation for Reserve Bank –

$$\text{Asset} = \text{Liability} + \text{Equity}$$

Our PM Modi took very fastly such an bold decision which affect not only Indian economy but also the entire universe. No doubt that there is no other option in front of us to remove these fake notes so fastly from the Indian economy.

If the Prime Minister of India Mr. Narender Modi did not took this bold decision than no doubt our economy will be finished just because of fake currency .

There are a lot of reason behind the demonetization. Some of them are as follows:-

- Going cashless
- Destruction of black money
- Maintain secrecy

1) Going cashless :-

The main reason behind the demonetization is going cashless in India. It means do the cashless transactions only in spite the cash transaction. Modi’s government took a lot of steps to motivate people for doing cashless transaction.

2) Destruction of black money:-

Holders of black money will only temporarily be affected because they would any way using none cash assets for the black money and hoarding .

3) Maintaining secrecy:-

We know that secrecy play the vital role in any economy . Modi's one of the major reason behind the demonetization is maintaining the secrecy in the Indian economy. When the decision of demonetization was publically announced the RBI gives their opinion on demonetization . RBI told people about the advantages and limitation of demonetization.

6. DEMONETISATION IS A POWERFUL TOOL TO WIN THE WAR ON BLACKMONEY:

Mr. Narendra Modi delivered a surprise reform to the nation on 8th November 2016 i.e. Demonetisation. He declared that the Rs.500 and Rs.1000 notes are invalid now and RBI issued new notes of Rs 500 and Rs.2000 in the economy.

As we know that our country is largely a cash-driven economy in the entire world. Our Indian economy is an economy which is reliant on the cash transactions and evading taxes, especially on the evading taxes, especially on the very high economy transactions such as gold, real estate purchases and illegal activities.

In India, counterfeiting notes and their subsequent use in the funding of terrorist activities. Just because of demonetization black money and tax avoidance have been well recognized. Radical moves of Modi to invalidate the high demonetization no taxes, in which always the black money in the economy transacts, is really a daring step.

Now over India, economy is move towards the digitization of the economic transactions, and transaction with cash currency playing a relatively minor role. The limits on the withdrawals and the shortage of new currency notes has led to considerable anxiety about pension , wage payment and cash financing of even routine household expenditure.

There are a lot of frequent changes in the rules during the past month like- How money deposited into the bank account will be taxed, how much money can be withdrawn from the bank account and which exemptions would apply, for instance have led to unnecessary confusion.

As per the Income Tax Amendment Act of 28th November 2016. Our Indian Government will tax unaccounted deposit income at 50% and will only prosecute those people who, upon investigation are found that they engaged in criminal or illegal activities. This criminal moves is hoped to motivate the transfer of wealth from the black economy to the banks.

There are several recent developments which suggested that the demonetization drives might well yields significant benefits.

Firstly, approximately 80% of Indian currency in the higher denominations has been deposited back into the banks account now. Now, the deposited from the individuals will be matched with their tax return and the deposit will be taxed which is unaccounted and it will yield a windfall for the Indian government.

Secondly , we have seen impressive switch into digital transaction in India in these days. No doubt, this one time demonetization has long term beneficial impact on our Indian economy .

Thirdly , the action of Modi's government taken will put a crucial and major dent in counterfeiting.

7. MODI'S BOMB ON BLACK MONEY:

There are some important fact about the demonetization-

- 1) The demonetization is a vital moves comes as the part of the Modi's war against the black money.
- 2) By black money we means that funds earned on the black market, on such income the taxes has not yet been paid.
- 3) In India approximately 49% adults do not have a bank account.
- 4) The people who have earned their income through the legal means will only have the courage to deposit it back into their bank account by the deadlines.
- 5) The demonetization is a big move is viewed as a landmark initiatives on the Modi's war against corruption and poverty in our country.

- 6) By the Indians, the total amount of black money which is deposited in the foreign banks is unknown but reports claims that it approximately US \$50 trillion.
- 7) Our prime minister Mr. Narendra Modi said in an address to the nations after the cabinet meeting- “Black money and the corruption are the biggest obstacles in the eradicating poverty.”

8. IS GOING CASHLESS IS GOOD OR BAD FOR YOU?

As we know that our economy moves towards a cashless environment after demonetization. To motivate people to adopt cashless transactions government gives various discount and incentives to the peoples. Government takes various steps to make people aware about the cashless transactions. Only after that they can understand how much cashless transactions is beneficial for them.

There are so much benefits of cashless transactions. Some of them are as follows-

- Convenience
- Tracking spends
- Gains but small
- Lower the risk
- Budget disciplines
- Discounts

(1) Convenience -

The bigger motivator to go digital is the ease of conducting financial transactions. There is no need to have enough cash, plastic cards and stand for a long time in the queue of ATM to withdraw the cash. And no doubt, it is a best way of spending especially in the travelling time and in the emergencies situations like in hospitals.

(2) Tracking spends-

it will be very easy for the people to keep track of their spending, if all the transaction are on the record. While you filling income tax returns, it will be very useful to you. You will find it easy to explain your spends, especially in case of scrutiny- according to Manoj Nagpal, CEO Outlook Asia Capital and Pal said that it does not give only impact on tax but also on budgeting.

(3) Gains but small-

Very small advantage of cashless transactions is that, you can pay the exact amount without worrying about not having change. While we doing the cash transaction the main and big problem in front of us is changes. Cashless transaction remove this barriers.

(4) Lower the risk-

If your cash is stolen, it is impossible to get it back but if your credit card or any type of other plastic card is stolen, you can easily save your balance by just blocking of your plastic cards. But in case of cash you do nothing.

(5) Budget disciplines-

You can keep tabs on your spending by the written records and this will result in better budgeting. According to Jhaveri- there are so many apps and tools which will help you to analyses your spending pattern and throw up the good insights over a couple of years. Higher investing is the best result of control spending.

(6) Discounts-

Presently service tax on the cashless transactions is upto Rs. 2000. It is a big incentives provided by the government to motivate people for cashless transactions. No doubt it's a golden chance to increase your savings, if you take this advantages. No doubts these discount and special offers motivate people to do cashless transactions.

As we know that each coin has two sides. Similarly here cashless transactions also has some negative or minus points. Some of them are as follows-

- Losing phone
- Overspending
- Difficult for Tech-unsavy

(1) Losing Phone-

People may face a lot of problems regarding the losing of phones.

First is if you loose your mobile phone then it will be your double loss. Because for all cashless transactions ,you are depend on your mobile phone.

Secondly – you keep your mobile phone charged constantly, because if your mobile phone is die in the mid of the purchase then it will be create a big problem in front of you.

(2) Overspending –

We know very well the nature of human being. If we pay amount is cash to purchase something. We feeling pain in such spending than the cashless transaction. While we using this method of spending, we will do overspending.

(3) Difficult for Tech-unsavy –

According to Internet Live Stats, our India has very low interest penetration of 34.8% in 2016 and 26.3% only of all the user of mobile phones have in 2015.

According to Pai- a bigger block beside the practical. difficulty of going digital is the psychological shift . he said, suddenly ,you are jumping three generation to the digital medium. Subramayam pay his attention on another problem that is-for the old people ,it is a very big problem of do cashless transactions, who do not have mobile phone and have the habit of taking money always in the form of cash. And especially for them who cannot download an app or do not have cash.

(4) Higher risk of identify the theft-

According to Nagpal , it is a very big problem to identify the thefts in the cashless or digital transactions, especially when even well educated people are falling into the phishing traps.as we know that white collar crime and own line fraud grow up day to day, that's why the risk of hacking grow up.

Financial trainer P.V. Subramanyam asked a very interesting and good questions- In India ,a rickshaw puller will do a cashless transaction, if he has a Aadhar ID stolen? There are no strong legal process to deal with the cybercrime.

9. EFFICIENT UTILISATION OF CASH:

As we know that our Indian government always has a deficit budget, because it does not have enough money to pay expenses. Government's investment in education, public health, water and sanitation have been too little for a long time. Even poor people affect badly from lack of access to reasonably priced loans. And there are fever job opportunity in India, just because lack of investment in the productive enterprise.

And just because of demonetization, all the people in India deposited their cash into their bank account. And government of India came to know how much amount was hoarded by the people without being put to use. Now as a result of demonetization our banks has huge funds and now there is no need for Indian government to take huge loans from the other countries or from the world bank at high rates.

Now our Indian government can utilize these amount very efficiently . they can utilize some of the amount to invest in the productive enterprises. So that the job opportunity in India grow up. Government can also utilize the resources for the education, health, safety, water and sanitization etc. government can make the standard of living high, can increase the GDP, can increase the per capita income by the best utilization of these resources.

Through the best utilization of these resources government can change the picture of India in the entire world.

10. CONCLUSION:

No doubt demonetization is a very bold and good decision taken by the Mr. Narendra Modi. It is a tool with the help of which government can make control over the black money, corruption, illegal activities, black marketing, hoarding, wastage of resources etc.

If we compare both the pros than I found that you are so disturb. Pain for the people due to demonetization is not much more than pros. In simple language I can say that impact of demonetization is fir long run.

Just because of demonetization the saving in the banks will increase, then investment will increase, then the job opportunity in India will increase, then the unemployment will reduce and per capita income will increase, then the standard of living will increase and GDP of our nation also increase. And after all this our country become a developed country very soon. The picture of India will be change completely in the entire universe. JUST WAIT AND WATCH.

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