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## *Demonitisation: Positive and Negative Phase*

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**Abstract:** *The present study spots light on the effect of demonitisation. The study focuses only on to the limited factors which affected the life of the common people. Also it describes the how the government tackled the situation and successfully launched demonitisation in long run. This also focused on the negative and positive phase of demonitisation.*

**Keywords:** *Demonitisation, Denomination, Currency Notes, Government, People.*

### I. INTRODUCTION

Demonetisation is the process wherein which the government swaps the currency which has higher denomination with newer currency. In other words in demonitisation an older currency of higher denomination will be replaced by newer ones. Demonitisation is done by the Government with a view to have control over the economical environment of the country. The shift has made by the Government to curtail the usage of black money and fake notes by reducing the amount of cash available in the system.

Our Indian economy has come across the demonitisation situation prior to 2016. The very first demonitisation was made in 12<sup>th</sup> January, 1946 by Mr. Field Marshal Archibald Wavell. During 1946 the Reserve Bank of India demonetised Rs 1,000 and Rs 10,000 denomination noets. The government reintroduced higher denomination banknotes of Rs 1,000, Rs 5,000 and Rs 10,000 in 1954. These notes were demonitised by Morarji Desai's Government on 16th January, 1978. After 20 years Mr. Yashwant Sinha, who was Finance Minister reintroduced Rs. 1,000 due to shortage of high denomination notes and mounting demands on lower denomination currencies.



RBI Rs.10000 Note in, 1938



RBI Rs. 10000 Note In, 1954

## II. DEMONITISATION – 2016

On November 8<sup>th</sup> 2016 evening Prime Minister Mr. Narendra Modi in his television address to the people of nation addressed that the Rs. 500 and Rs. 1,000 notes are invalid. He also insisted that it was done in order to curb the “disease” of corruption and also solution for tackling shadow economy. He also announced that new 2,000 and 500 rupees currencies will be issued. People holding currency notes of Rs. 500 and Rs. 1,000 can deposit their notes in their bank and Post Office and also can get new 2,000 and 500 rupees note from them. All other notes which has lower denominations continued to be valid.



## III. STEPS TAKEN BY GOVERNMENT BEFORE IMPLEMENTING DEMONITISATION

Before going for declaration of withdrawal of higher denomination notes, government took many steps. First and foremost step taken by the Government is they made it mandatory for every citizen to have Aadhaar Card. The next move was that they enforced the public to hold bank account. It was not possible for the poor people who lead their life with daily wages. So, the government facilitated the poor ones by permitting them to open Zero Balance Account with the Nationalised Banks. The other step taken by them is they also made it obligatory that the bank accounts should be linked with the Aadhaar Card. The government also insisted the LPG Consumers to link their connections with Bank Account in order to get LPG subsidy.

## IV. CHALLENGES FACED BY THE GOVERNMENT

After Prime Ministers announcement of revoking higher denomination currency on November 8<sup>th</sup>, 2016, the entire circumstances changed. The public got panic because they haven't received any prior intimation and they were not yet prepared to face the situation. The Reserve Bank of India priory circulated new 2,000 and 500 rupee notes to the Bank. But the money supplied to the banks was not sufficient. The bankers were unable to feed their customers. With a view to deal with the condition government insisted the people to go for cashless transaction. This also owes its own phase of negative aspect, first of all people were not aware on using such technologies. Some of them do not know even how to use ATM machines for withdrawal of cash. The major drawback is that certain percentage of population does not have bank account though prior step was taken by the government. Another drawback is that the old people do not know how to use modern accessories.

## V. PROBLEM FACED BY COMMON PEOPLE

Demonitisation made most adverse effect in the life of common people who was already suffering to lead his routine life. Poor people suffered a lot as they were not able to meet their day to day commitments as they belong to daily wage category. They lead life only with the wage they get at the end of the day. But they were not able to do so because they have to wait in front of ATM centers or at the banks for hours and hours, sometimes for a whole day to exchange the notes. Many of them fainted while waiting in front of banks and ATM centers since they waited for the whole day without water and food. The people who left their home town for various purposes was not able to return to their home town because of sudden announcement of currency invalidity as they had only the older currency and they were not able to exchange currencies because of not holding proper proof such as Aadhaar Card and so on. On the other hand most of the people do not know how to exchange their currency. They were also not aware of technology such as using virtual transaction. Old aged, disabled and sick

people suffered due to over crowd in front of banks and ATM centers and could not able to withdraw money. Many planned Occasions stopped due to non-availability of funds for example marriages was stoooped as many peoples saved money for marriages and other occasion in banks in the form of Fixed deposits. They were not in a situation to withdraw more than Rs.4,000. Even hospitals refused to accept the old currencies and they requested for cashless transactions, this made people more frustrated. It also affected the education of the students as many educational institutions refused to accept fees in the form of Old Currencies. Also the hotels and restaurants failed to accept the old currencies and even they were not in a position to provide changes even if the customers provide them new currencies. Some people traded with the situation as they get old currency from the persons who were in need of lower denominations and supplied them with new one for commission. Overall life of the common people was in pathetic stage.

## VI. PROBLEM FACED BY AGRICULTURE AND BUSINESS SECTOR

Apart from common people the others who suffered a lot was Agricultural Sector, Petty Shop Keepers, Small Scale Units, informal sector and so on. In case of agriculture they supply non – durable goods i.e., the life span of the goods supplied by them is very short. It would get rotten when it is kept for more than one or two days. The market demand for the product decreased due to unavailability of enough low denomination currencies. Equally the petty shop keepers and small and medium scale vendors also affected. They do not have any facilities such as equipments for making cashless transactions. The charge for using the mode of cashless transaction was comparatively high.

## VII. GOVERNMENTS ACHIEVEMENT THROUGH DEMONITISATION

The major motive behind demonitisation was to curtail the usage of black money and fake notes. The other one is to increase Income Tax revenue from ceasing back of unauthorized money hold by the people. The hidden motive was to gain goodwill among the people of nation.

The Reserve Bank of of India in their Official release confirmed that they recovered 15.28 Lakh Crores out of 15.44 Lakh Crores i.e., 99 % of circulated currency. This enabled the government to stop the usage the fake current as it was no more valid. The CBDT department has monitoring that the persons who are depositing more than Rs. 2,50,000. And they are insist for filling Income Tax Returns. This paved way to increase revenue to the Income Tax department upto 25 to 30 %. Their aim of shifting over the people from cash to cashless transaction was also achieved through some extent which also supported the Prime Minister Digital India Scheme. Though people suffered a lot, they at a fast pace accepted the change in the good sense.

## VIII. CONCLUSION

Change is the law of nature. There is nothing permanent except change. Constant Change is a sign of progress. Some changes should be made periodically in order to lead a nation into a progressive way. Every change has its own Positive and Negative facets. A Government cannot survive by its own without the support of the people as the government is for the people, of the people and by the people. The changes made by the Government are to modify life of the people. Since each and every law or change is made only for the welfare of the people so the government should make necessary arrangements before implementing changes into the Society.

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