

Review of Demonetization in India

Dr. Chitra Rathore*

Introduction

When the government legally closes the old currency and declares to bring a new currency, it is called Demonetization. After this there is no cost of old currency or notes. However, the government has given time to replace old notes with banks, so that they can change their old notes which have been deferred. The government defended its decision throughout the year and counted its benefits and is still counting its benefits. The finance ministry claims that since the demonetization, so far, it has helped eliminate black money, bring out fake currency and reduce cash transactions. At the same time, opposition parties and many others believe that demonization has adversely affected the pace of development of the country and this has raised the problems of common man.

Benefits Related to Banks

- After the demonetization, cashless transactions were promoted and by October this year, there was an average of 136-138 crore digital transactions per month.
- Cash transactions till August 4, 2017, decreased from 17.77 lakh crore to 14.75 lakh crore and now only 83% cash is effectively in circulation.
- Only after 45 days of demonetization, deposits in the Jan dhan accounts increased to Rs 87,100 crore .
- Tax return firms increased by 25.3%; 56 lakh new taxpayers involved

* Associate Professor, Department of Economic Administration and Financial Management (EAFM), Faculty of Commerce, S.S. Jain Subodh PG (Autonomous) College, Jaipur, Rajasthan, India.

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- 6.28 lakh crore beneficiaries were given under different schemes through direct benefit transfer in 2017-18.
- 78% bank accounts linked from mobile, 73% bank accounts linked from Adhar card.
- During the demonetization, the banks got large amount of money which the banks gave to the common man as a cheap loan.

Operation Clean Money

Following the demonetization, the Income Tax Department operated Operational Clean Money in two phases, in the second phase, 5.56 lakh new people were identified based on the details of financial transactions. These people had deposited large amounts of cash in bank accounts during the demonetization. Their tax details and their cash deposits were disproved. Apart from this, 1.04 lakhs have also been identified, who have not provided the information of all bank accounts during e-verification during the first phase of operation clean money. It is understood that 17.92 lakh people were identified in the first phase for e-verification, out of which 9.72 lakh people submitted online answers.

Economy was Affected and Development Took Place

- As far as the economy is concerned, the growth rate from the first quarter of 2016 to the second quarter of 2017 has come down from 8.7% to 5.7%.
- According to the Bureau of labor statistics, unemployment increased from 3.8% in 2011-12 to 5% by 2015-16.
- During 2015-16 and 2016-17, the growth rate of manufactured goods sector also declined and it dropped from 10.8% to 7.9%.
- Manufacturing growth rate dropped from 5% to 1.7%.
- Because of the many basic sector projects, their cost was estimated at Rs 10.7 lakh crore in September 2016, which increased to Rs 13.2 lakh crore by September this year.
- Between 2011-12 and 2016-17, the share of gross depreciation capital gains in GDP decreased from 42% to 38.4%.
- The increase in credit also dropped from 10.9% in 2015-16 to 8.1% in 2016-17.
- From March 2011 to March 2017, the total trapped bank loans increased from 2.5% to 9.6% of their gross advances.
- It was also seen that the demonetization affected the economic activities of the unorganized sector, especially the small and medium enterprises had a lot of problems.

Moving Steps towards Digital Economy

India is a big country and still every citizen of the country does not have access to the banking system with the electricity and internet, but the biggest benefit

of demonetization is that people are now engaged in digital transactions. Cashless transactions have accelerated and this speed is likely to continue. However, now every businessman or people do not have the facility of cashless transactions, but this problem will also be overcome soon. Increasing cashless transactions leads to a hinge on black money and corruption is less. Our country is now stepping towards digital economy after the demonetization and this process will be very helpful in curbing corruption, as well as the number of tax payers, which will increase the revenue of the government. Apart from this, irregularities will also be reduced in the implementation of public welfare schemes in the country, because now all the accounts are being digitally kept.

Anyway, after the demonetization, digital transactions have increased. Through credit and debit cards, transactions have increased by 7%, while total digital transactions have increased by 23%. It is a fund of digital or cashless economy that people are beginning to use credit / debit cards with internet banking, mobile banking, digital wallet. The Finance Minister of the country says that the cost of excessive dependence on cash is the cost, and the matter is not only of cost but it is a curse for both society and economy. A healthy banking system will help in speeding up the economic growth of the country in the growing Indian economy towards less cash. In digital and online transactions, it was seen rapidly in the early months of demonetization, but it slowed down in the subsequent months. These include credit and debit cards and prepaid payments.

Recapitalization of Public Sector Banks and NPAs

Recently, the Government took a major step towards capitalization of the banks to provide funds to the public sector banks for initial investment so that the amount of loan given by banks increased and more employment could be created. For this, the maximum allocation for the current year and a budgetary provision of approximately Rs. 2,11,000 crores will be made during the next two years for which a budgetary provision of Rs. 18,139 crores, issue recapitalization bonds of approximately Rs. 135,000 crores and banks for the balance. By mobilizing capital from the market and reducing government equity (about Rs. 58,000 crores), there will be a need to raise funds.

Conclusion

The government has repeatedly reiterated the benefits of demonetization being done for the purpose of making a comprehensive change in the Indian economy. It has been said from the government that hard decisions have to be faced with difficulties in the beginning, as temporary difficulties are associated with major corrective decisions. Certainly the transparency has come in the economy, but the knowledge of banking and financial system also assumes that whatever the reason behind the demonetization, but the manner in which it is implemented and the

difficulties to deal with it after this, is not appropriate. Due to the shortage of currency and the complexities of digitization, economic slowdown, industrial slowdown and rising unemployment have created new challenges in front of the country. It was certainly lacking that the hardships faced by ordinary people by the surprise decision that came out suddenly were not correct. The government should have done a good study before and for this, what and how fast it can have on the general public.

Yet the optimistic approach only says that after the completion of one year of demonetization, of course it does not appear to be of any benefit, but experts believe that its future will definitely be in the future. Experts have been saying that it has benefited from the beginning in the long term. According to him, it is not possible to see the benefits of any major and rigorous decision being made in six months or a year. Non-Performing Assets-NPA is a burden for the economy. In our country, there has been a drastic increase in 'bad loans' and 'bad assets' over the last few years. NPA is made up of bad loans and bad assets, and due to this there is a reduction in the dividends of the banks, resulting in it becoming difficult for the bank to provide loans.

Banks are not able to afford loans due to the overwhelming NPA and the banking credit growth in the country is at 25-year level, which has led to private investment almost stagnant. Now when there is an increase in lending by recapitalized banks, investment will increase and employment opportunities will also increase, because micro, small and medium enterprises will get loans easily for development work. If the economy is considered to be a vessel, then the NPA is a major hole in this vessel. The more water we get from the recapitalization pump, if the same or more water is filled again by the NPA hole, then the purpose of recapitalization will fail. Then it will be like the huge open mouth of the sun, in which any small thing gets uninterrupted.

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