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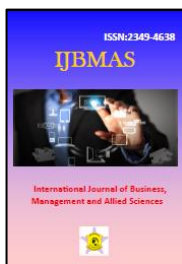
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**'CHANGE' IS THE ONLY UNCHANGING THING NOW- AN INSIGHT INTO UNCOMMON
 EFFECTS OF DEMONETIZATION ON COMMON MAN IN INDIA**

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ABSTRACT

From the ages, the immediate reaction of human being for any change is a mere resistance. That is the reason why it is often said that people hear the words of others not to understand the sense in them but to give a response. The hot topic of the day all around is currency demonetization in India, which is opposed by culprits, appreciated by certain categories of citizens, debated by hundreds and shocked many. The present paper highlights the history of demonetization in India, and the desirable and undesirable consequences of the same to common man.

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Money supply has shrunk, currency note became Pink, Fake notes went into garbage truck. This is the talk of the year, 2016. People say that 'zor ka Dhakka Dheere se lagega'. But the stroke of Honourable PM, Sri Narendra Modi also hit sudden and expected. One needs time to know, understand and digest what is happening in India these days. No doubt, India is world famous for its rich culture, richer heritage and richest values. But it is equally popular for its lobbying, black money and many more social evils. People in the country, leaders in political parties, intellectuals in all the fields have been putting their finger across their chin and thinking ways to remove poverty, make India free of corruption and so on and so fore. But the only answer for all of them till recent days was 'oh sorry –nothing can be done'. Now I think the days have really come when every Indian can proudly declare that they are unite and their currency is also one in color i.e., only white.

At the stroke of the hour on midnight of 9th November 2016, India lost 86% of its monetary base. With its one shot, the Government has made an attempt to hit all the three evil birds affecting the economy i.e. a parallel economy, fake currency in circulation and terror funding. Undoubtedly, this is a dare devil step of the Indian Government ever since the country has got independence.

HISTORY OF DEMONETIZATION IN INDIA:

Similar demonetization of banknote denominations have been taken in the past. In January 1946, banknotes of 1000 and 10000 rupee were withdrawn and new notes of 1000, 5000 and 10000 rupee were introduced in 1954. The Janata Party coalition government had again demonetized banknotes of 1000, 5000 and 10000 rupee on 16 January 1978 as a means to curb counterfeit money and black money.^[1]

In 2012, the Central Board of Direct Taxes had recommended against demonetization, saying in a report that "demonetization may not be a solution for tackling black money or economy, which is largely held in the form of benami properties, bullion and jewelry".^{[2][3]}

On 28 October 2016 the total banknotes in circulation in India was 17.77 lakh crore (US\$260 billion). In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to 16.42 lakh crore (US\$240 billion) of which nearly 86% (around 14.18 lakh crore (US\$210 billion)) was 500 and 1000 banknotes. In terms of volume, the report stated that 24% (around 22.03 billion) of the total 90266 million banknotes were in circulation.^[4]

History of India's Demonetizes Currency

The Indian rupee (INR) is the official currency of the Republic of India. The rupee is subdivided into 100 paise (singular paisa), though as of 2011 only 50 paise coins are tender. The issuance of the currency is controlled by the India. The Reserve Bank manages currency in India and derives its role in currency management on the basis of the Reserve Bank of India Act, 1934. The rupee is named after the silver coin, rupiya, first issued by Sultan Sher Shah Suri in the 16th century and later continued by the Mughal Empire.

In 2010, a new symbol '₹', was officially adopted. It was derived from the combination of the Devanagari consonant "र" (ra) and the Latin capital letter "R" without its vertical bar (similar to the R rotunda). The parallel lines at the top (with white space between them) are said to make an allusion to the tri colour Indian flag, and also depict an equality sign that symbolizes the nation's desire to lessen economic inequality. The first series of coins with the new rupee symbol started in circulation on 8 July 2011. In a major step to check undeclared black money, the Government of India on the 8 November 2016 announced demonetization of Rs 500 and Rs1000 banknotes with effect from the same day's midnight, making these notes invalid. Apart from combating black money, the stated purpose is also to check fake currency (used to finance terrorism) and corruption. A new redesigned series of Rs500 banknote, in addition to a new denomination of Rs 2000 banknote is in circulation since 10 November 2016. The new redesigned series is also expected to be introduced to the banknote denominations of Rs1000, Rs100 and Rs50 in the coming months.

History and background

- The sudden move to demonetize Rs 500 and Rs 1,000 currency notes is not new. Rs 1,000 and higher denomination notes were first demonetized in January 1946 and again in 1978.
- The highest denomination note ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954. But these notes were demonetized in January 1946 and again in January 1978, according to RBI data.
- Rs 1,000 and Rs 10,000 bank notes were in circulation before January 1946. Higher denomination currency notes of Rs 1,000, Rs 5,000 and Rs 10,000 were reintroduced in 1954 and all of them were demonetized in January 1978.
- The Rs 1,000 note made a comeback in November 2000. Rs 500 note came into circulation in October 1987. The move was then justified as attempt to maintain the volume of currency notes in circulation due to inflation.
- However, Rs 2,000 currency note is introduced first time in India.
- Bank notes in Ashoka Pillar watermark series in Rs 10 denomination were issued between 1967 and 1992, Rs 20 in 1972 and 1975, Rs 50 in 1975 and 1981 and Rs 100 between 1967-1979.
- The banknotes issued during this period contained the symbols representing science and technology, progress and orientation to Indian art forms.
- In the year 1980, the slogan Satyameva Jayate — 'truth alone shall prevail' — was incorporated under the national emblem for the first time.
- In October 1987, Rs 500 banknote was introduced with the portrait of Mahatma Gandhi and Ashoka Pillar watermark. Mahatma Gandhi (MG) series banknotes – 1996 were issued in the denominations of Rs 5, (introduced in November 2001), Rs 10 (June 1996), Rs 20 (August 2001), Rs 50 (March 1997), Rs 100 (June 1996), Rs 500 (October 1997) and Rs 1,000 (November 2000).

- The Mahatma Gandhi Series – 2005 bank notes were issued in the denomination of Rs 10, Rs 20, Rs 50, Rs 100, Rs 500 and Rs 1,000 and contained some additional/new security features as compared to the 1996 MG series.
- The Rs 50 and Rs 100 banknotes were issued in August 2005, followed by Rs 500 and Rs 1,000 denominations in October 2005 and Rs 10 and Rs 20 in April 2006 and August 2006, respectively.^[5]

EFFECTS OF THE CURRENT DEMONETARIZATION

The positive side of the coin:

- The step ensures national security, by choking down finances of terrorists and drug cartels. This step benefits the poor and middle class by reducing inflation in day to day life.
- This measure will not only discover unaccounted money but also adds tax revenue to the nation and bring the same into economy and also helps in catching the collars of culprits. It will not only bring equilibrium in the market but also lowers the unnecessary hype created in real estate .
- India's unfulfilled dream to see its young population to be highly educated and employable youth will also likely be achieved as now no hands of managements of educational institutions will stretch for donations.
- Terrorists, drug cartels have been regularly counterfeiting rupees 500 & 1000 notes as anti-social people are diagnosed with the problem of impatience to deal with currency with smaller denomination. An element of shock is essential to prevent them from being proactive and make necessary arrangements.
- This step would also make ensure that prevailing unaccounted money would gradually come into public domain and help the common man.
- Official data from the Reserve Bank India shows that the accumulation of Rs 500 and Rs 1000 notes are higher in the Indian economy rather than Rs 100 and other smaller denomination currency notes. Thus , with the order to exchange Rs 500 and Rs 1000 notes through the banks, the government is in reality increasing its shadowing on individuals to bring out tax-payers. Every transaction will now be tracked by the Union government to bring all the eligible citizens under the purview of the Income tax.
- It is a known fact that several terrorist organizations and others, infuse fake currency into the Indian market to destabilize the Indian currency and its economy. According to the RBI data, fake currencies worth Rs 16.50 lakh crore have been circulating in India with most of them of in high-valued denominations. It is almost impossible for the illiterate and the rural population to differentiate between a legitimate and a fake currency. Hence, the move to completely replace the old currency with security featured new currency –removes the fake mask put on currency note.
- The move of demonetization also helps in reducing the impact of unwarranted boom created by realtors as there will be a lack of fake notes now.
- India is a cash-rich economy and major transactions in the country are done through cash mode. This was a major challenge for the Indian government as it wanted to track down the taxpayers. Moreover, government is also burdened with the cost of printing currency notes apart from keeping a watching eye on fake currency. Thus, this new step of demonetization can definitely act as a panacea for all the economic evils of the nation
- Last but not the least, demonetization will also persuade people to go for increased number of e-transactions with which transparency can be maintained at all levels and all activities.

The negative side of the coin:

- Every common man of this nation is so comfort freak that he expects everything to happen within no time and without much physical effort. For such impatient Indians, standing in queues in front of ATMs is really a life-taking task.
- Majority of the rural public are either semi-literates or literates and as such it would definitely take some time for them to understand the dizziness of digital transactions. Hence, they must be educated with respect to the noble intentions of the government through the Gram panchayats and steps should be taken to give them access to exchange their old currency with new ones.

- Government even would have spent lots of money to print new currency notes and should wait patiently till the resistance from the public gradually subsides and turnout to be a favorable nod of head.
- However, many analysts also claim that this new hunt can only fetch small fish into the net, leaving the big fish which have swallowed large volume of money and made their mouth black.
- The idea of demonetization is good but one has to understand the fact that Black money is not really Black currency in India. Rather, it is black investments in real estate, black gold and other assets in black. According to experts. Only 4% of black wealth is in the form of black currency. However, the move of demonetization is deemed to curb the black circulation of money in the hands of many.
- Small farmers, sellers, merchants, daily wage laborers and traders are suffering due to of lack of preparation, and foresight. There is also a need to pile up enough 100 Rupee notes and other smaller denomination notes in the market before taking this step.
- People are facing problems because the limit of withdrawal has not been kept at a higher level. If this would have been kept at a higher level, there were chances that the recycling of black money might begin. The ideal money in circulation has to come to the banking channels.
- It is also being said that what is being attempted is replacement of currency and not demonetization itself which was unnecessary. This is a terrible setback for the international standing of the Indian economy. At this time, the economy is struggling with slowdown. There is demand sluggishness in the economy leading to practically no private sector investment and stagnant industrial growth. If we look at the farm sector, this is the harvest time. Farmers generally deal in cash and India is also largely a cash economy. The cash transactions in this economy are far more than the total number of electronic transactions done on a daily basis. In the tribal heartland of the country, the poor people through middlemen are getting their currencies exchanged for Rs.300 or Rs.400 because of lack of proper information which is hitting them.
- **Grocery/vegetable shops:** Almost every local grocery vendor in India accepts cash only. So quite obviously people have to restrict their purchases to below 500/- or else have get big bags to carry large volume of small currency.
- **Transportation:** common public whose travelling expenses exceed Ra. 500 will definitely be in soup if they don't possess enough change to pay over the travelling expenses.
- **Truck transport:** Almost every business is some way or the other dependent on transportation especially trucks. All drivers and middleman would prefer only cash. Their day-to-day transactions may not be compatible to be dealt online.
- **Foreign Tourists coming to India:** the present decision of Government would seriously affect those foreign tourists who , by this time might have exchanged their local currency with the old currency of India. Since their cash reserves will be above the normal level, the decision of cancelling currency of larger denominations would definitely prove to be fatal for such foreign tourists. This applies to NRIs as well who have returned to India recently and have got forex.
- **Daily wage workers:** Almost every industry has to deal with daily wage workers every day who are paid on a per day basis. Due to dearth of currency with lower denominations, these daily wage earners may have to suffer a lot with the delayed payments.
- **Hotels/Restaurants:** the scenario of the day is that people have become so cash-conscious and are unwilling to go to restaurants with a fear to lose their small notes.
- **Stock market:** Anyone buying/selling physical shares typically pays via cash. In normal scenarios, trading amount is always bigger in quantity and there is no alternative other than paying through lower denominations.

Conclusion

Till now, all the policy-makers and common public are misperceiving the swelling of the Indian economy with black money as its strength and sooner or later the reality will come into picture and common man will surely realize that any pain in the short run can ultimately give a greater gain in the long run. However, it can be said that this is a brave step and should be solicited by all.

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