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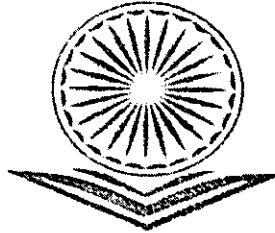
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8. Demonetization-“Advantages and Disadvantages”

Prashant Prabhakar Jarandikar

Introduction

Demonetisation has been used by the countries across the globe for various purposes such as to curb the inflation or to curtail black money etc. Demonetisation is an act of cancelling the current legal status of the currency unit in circulation. When a particular government or the authority takes such decision, it expects some positive changes on the present economic structure of the government.

The event of demonetisation in India has occurred three times. It has occurred two times after the independence e.g. in the year 1978 and in 2016 and one time before the Indian independence i.e. in 1946. So far as the recent demonetisation is concerned, it seems that some persons or authorities would have the prior knowledge about the demonetisation. The Hindi daily newspaper *Dainik Jagran* published a report. On 27th October 2016, quoting RBI sources that the ₹ 2000 banknotes will arrive and there would be a withdrawal of ₹ 500 and ₹ 1000 banknotes. The *Hindu Business Line*, on 21st October 2016, had also published a report on impending ₹ 2000 banknote.

My present topic for this conference is **Demonetisation-Advantages and Disadvantages**. It is associated with the demonetisation in general and the demonetisation which took place in India on 8th November, 2016. I have tried my best to explain in short but in an accurate language the pros and cons of the demonetisation. It has wide political, economical and social discussion in our country after the 8th Nov. 2016. But, here, without any such relevance I have explained the points with reference to the so called common people of our country.

Meaning and Definition of the Demonetization:-

Demonetization means stopping a form of currency from being legal tender. That means that this currency can no longer be legally used. It cannot be used to buy things and if it is paid into the bank, your bank manager should not accept it.

The general meaning of the demonetization is that the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins.

The withdrawal of a coin, note, or precious metal from use as legal tender.

-----Oxford Dictionary.

Withdrawal of a particular form of currency (such a gold coins) from circulation.

-----Business Dictionary.

Objectives of the Study

1. To study, explain, and elaborate the term demonetization with its pros and cons.
2. To eradicate the unmerited views regarding demonetization and keep the facts in front of the people in general.
3. To establish the rational, omniscient views, without any political, economical, racial, geographical prejudices.
4. To explain the points in brief and an accurate wordings which would be comprehended easily by the common man.

Methodology

The Present study is Doctrinal Research. The secondary data has been used for the paper. The sources for the collection of data are various articles published in the different newspapers, magazines, and websites.

Advantages

1. To Diminish Funding of Terrorist and Naxalite Groups

India has become one of the progressive and healthy democratic countries. As compared to the neighbouring China and Pakistan it is going ahead day by day. The economic as well as the social growth of India has become better than the past. Due to this reason and in order to create chaos in some of the internal parts of India some foreign hands misguided the Indian citizens. Some irrational citizens of India assist the so called terrorist groups and naxalite groups. They provide funds to them. By using that funds the terrorist groups and naxalite groups creating the enmity among the various caste, and religions in India. In order to diminish that fund the government had taken the step of demonetization. As per the government agencies it has succeeded to curtail the funds which would be provided to these groups.

2. To Prohibit Black Money

The govt. was of the opinion that there is a huge circulation of the black money in the market. Due to which the government is unable to tackle the economy of the country. So, the govt. decided to demonetise the currency notes of Rs.500 and Rs.1000. The govt. after the demonetisation, has claimed that the black money has been thrown out of the market and from the Indian economy. It was found by the govt. that the major portion of the black money was being funded to the anti-national activities. It was also used in real estate sector.

3. Addition of the Taxpayers

Another major impact of the demonetization was that the people were not willing to pay the taxes. Due to demonetization the people started to deposit the amount in bank. It revealed their income so automatically they become the taxpayers. India being the country of huge population there are n numbers of business sectors but there are very few no. of businessmen who pay tax. But demonetisation changed the circumstances. These tax evasions have automatically been deposited in their own accounts.

4. Card Transaction Increased-

The Govt. urges the people to use the credit and debit cards in every transaction. The shortage of money in the hands of common people caused to raise the card transaction. The people ultimately move to the debit as well as credit transactions as there would have not left any option. It has also caused to raise the digital transaction. The best advantage of the card transaction, from the point government, was that the black transactions were almost in stopped.

5. Deposits in Banks Increased

When the govt. announced that the currency of Rs.500 & Rs.1000 will be withdrawn from the transaction, the people started to deposit the same currency notes in the banks as they were of no use. The persons who had accumulated the huge amount in cash at their home start to deposit it in the banks. This was ultimately resulted in the increase of bank deposit.

6. Suspicious Transaction Detected

The percentage of tax evaders in India is huge. The persons in India want to earn a lot of money but at the same time they are not willing to pay the said tax. How the democracy will survive. Due to demonetization the people started to deposit the amounts in bank account. Some people deposited a huge amount on the account of their servant. This demonetization revealed so many suspicious transactions.

7. Gold and Jewellery Demand Plunged

The persons who were not interested to deposit the money in their account approached the gold and jewellery shops. It has been discovered that the demand of gold and jewel were increased after the demonetization. The people were of the opinion that instead of disclosing the cash in hand it would be better to invest it in gold. As a result there was a sudden plunge for the demand of gold and jewel.

8. Fake Currency Out of Circulation

One of the best advantages of the demonetisation, according to the govt. was that the fake currency notes of Rs.500 as well as Rs.1000 were out of the circulation. The demonetisation

caused to destroy these currencies from the market. The people literally, had thrown these currencies in to the water tank. Some currencies were burn out. Some donated to charitable trusts. So, it has stopped the fake currencies entering into the market.

9. Improved Deposits and Savings in Banks & Financial Institutions

Demonetisation caused to increase the amount in banks and financial institutions. The ban on the currency notes of Rs.500 and Rs.1000 automatically compelled the people to deposit it in banks as well as financial institutions. Thus the banks and financial institutions were fulfilled with the huge amount. It has improved the deposits in banks. It has strengthened the economic conditions of the banks

Disadvantages

1. Inconveniency to the People

The first and foremost disadvantage of the previous demonetization was that the inconveniency to the common people. If, we study in detail about the disadvantages of the demonetization, we will find that the ultimately the common people of this country had suffered a lot. No more class of this country has suffered more than the common class. Apart from the common class the traders and agriculture class had also feel inconvenient. Thus the greatest disadvantage of the demonetization was the inconvenience to the people in general.

2. Cost of Printing New Notes

The government decided to ban the notes in a hurried manner. The Government was not prepared to introduce the new currency. The decision to with- draw the currency would be considered valid to the some extent but, the govt. agen- cies failed to bring in new currency notes. In order to bring the new currency the govt. has to suffer the cost of new notes. It was the unnecessary burden over the Indian economy.

3. Real Estate Field Collapsed

One of the most affected arenas of the demonetization was the field of real estate. Real estate is the area where people invest money for the sake of their future. It is usually a dream of a every person to purchase his own house. But, due to demonetization people have to starve for a single penny. How would they bring lakhs of rupees to purchase their dream home? The result was that the real estate field was collapsed. The people were not ready to invest in the real estate as they started to disbelief the govt. policies.

4. Autonomy of RBI compromised

As an independent nation we have some independent institutions in our country. We have independent judiciary, independent administrative bodies, like this we have provided some autonomy to some agency like CBI. So far as the Reserve Bank of India is concern it is the central bank of our nation. It is also called as banker's bank. So far as the demonetization is concerned we have not noticed any role of RBI in this crucial decision. The fellows belonging to the economic and banking sector started feeling that here the autonomy of the RBI has been compromised.

5. Commotion in transaction in agriculture related business

As we know that India being the agricultural country, most of the population is depend upon the agricultural sector. More persons are living in villages and are considerably illiterate. So they don't know how to use credit or debit cards. They don't know how to do digital transactions. Due to lack of this knowledge their agricultural business failed down. The govt. had not considered the problems of the farmers and agricultural related business. The ultimate result was the commotion in the agricultural related business.

6. Slowdown in Economic Growth

The most crucial factor regarding the demonetization is the slowdown in economic growth of India. It has occurred due to the fall down of the business sector. Even though it was for short term it has slashed the economic growth of India. Even though the banks and financial institutions are in abundance with wealth the people in general faced the economic crisis. The people in general had no money for the day to day living, how could they invest in to the business other sectors? This is what the reason the economic growth slowdown.

7. Corruption at different level

So far as the primary objects of the government, regarding demonetization, is concerned to diminish black money and curtail funding to the terrorist and naxalite groups. But, the demonetisation in fact caused the corruption. There was a corruption in bank. So many bank officers were under scrutiny for the corruption. There were corruption in real estate, revenue police and other govt. Sectors. Brokers earned huge amount of money for the exchange of the banned notes. That is what the corruption increased for some days.

8. Unnecessary Burdan on Judiciary

The judiciary has been unnecessarily suffered due to demonetization. Indian judiciary right from the lower court up to the apex court is already under burden. It has numerous cases of civil, criminal, labour, family matters already pending in various courts in India. Demonetization

has incurred more burden on the judiciary especially apex court of the nation. So many writ petitions, PIL's were filed by the no. of people as well as NGO's. It caused wastage of time, money and labour of the judiciary.

9. Transportation business collapsed

Indian as being the developing nation has enormous network of highways. The present development of highways in the country caused to ease the transportation. Some national highways were built and some are under construction. But, due to demonetisation several thousands of trucks, and lorries, and small transport vehicles stopped themselves running on high-ways. It has caused to starve the several labourers depending on the transport business.

10. Death in Ques and Other places

After the demonetization the govt. restricted the amount which would be withdrawn from the bank as well as ATM. There were reports that some people were died while standing in ques for withdrawal of money in banks. Some bank officers also died due to extra pressure on them. They had to work more than the normal working hours. They had to bear the pressure of workload as well as of the pressure of people in general. They had to submit their reports to the govt. So, they were under pressure of govt. also. Thus the demonetization has caused unnecessary demise of the persons.

Conclusion

So, we can conclude that demonetization has both advantages as well as disadvantages. But, the question remains, would the demonetization alone can fight parallel economy and eliminate black money? It seems that a number of other supportive measures are necessary by the government to change the economy for betterment of the people in general. In addition, it is important to emphasize that demonetization was not unique event that would curtail the various problems regarding economical strength. Serious research needs to be done carefully. Long-term data must be considered before reaching any conclusion.

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