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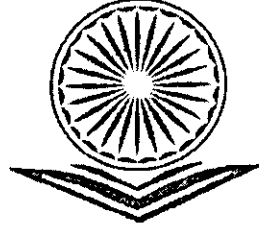
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**CONTENTS OF ENGLISH PART - II**

S. No.	Title & Author	Page No.
1	Demonetization: Consequences on Indian Economy Mrs. Komal R. Oswal	1-6
2	Constitutional Basis of Economic Legislation & Economic Policy - Critical Analysis with Special Reference to Sarfaesi Act 2002 & Demonetization Policy Amit M. Savadi	7-13
3	Demonetization & Unorganized Labour Mrs. Sharayu Pramod Patil	14-19
4	Impact of Demonetization on Digital Transactions in India Miss. Sejal Shah	20-24
5	Demonetization - A Pandora's Box?! - A Study Mrs. Archana Arun Thorat	25-29
6	Demonetization and its Lasting Impact on Life of Common Man in India Rashmi Naveen Arawattigi	30-36
7	Demonetization & Black Money Harshwardhan Kiran Bhingrdeve	37-43
8	Sector Wise Impact of Demonetization Dr. Chandrani S. Bagadi	44-47
9	Demonetization- A Decisive Step towards Welfare State and its Impact on Various Sectors Mr. Sopan Digambar Jadhav	48-53
10	Consumer Protection Challenges in Usage of Financial Technology in India: A Post Demonetization Analysis Dr. K. K. Sunitha	54-61
11	Note Ban Effects on Vote Bank: Negative Impact of Demonetization in India Miss. Bhakti Sharad Bhosale	62-66
12	Impact of Demonetization on Common Masses in India Prof. Manisha Yogesh Kale Prof. Sambhaji Mahadev Nikam	67-71

## 6. Demonetization and its Lasting Impact on Life of Common Man in India

Rashmi Naveen Aravattigi  
Murati Vidhyapeeth, New Law College Pune.

### Abstract

In an historic event, the Government of India on 8<sup>th</sup> November 2016 announced the demonetization of certain currency units (₹ 500 and ₹ 1000) and made a move to replace it with new currency units. This process of demonetization is usually undertaken as a resort or a tool to eliminate the evils of corruption, smuggling, terrorism, black marketing etc. from the nation. Every such decision taken for the welfare of nation comes with its own pros and cons and demonetization is not an exception.

This move of the government with a clear intention to change the Indian Economy into a more transparent and digitalized one, to cope up with challenges posed by the global counterparts had a great impact on the life of common man. What was achieved and what was lost in the demonetization process by the common man of the nation is an epic story which will remain in their minds for a long time. But what our economy achieved is the entry of common man into a digitalized economy which is more transparent and the menace of money laundering will be eradicated to a greater extent and a sense of justice and responsibility has come up in the minds of common man in the nation.

The main objective of this paper is to analyze the impact of demonetization on the life of common man in India.

**Key Words:** Demonetization, Indian Economy, digitalization, common man, impact.

### Introduction

India is and has always been a home for people belonging different religions, race, culture and traditions. So also our Indian society is largely divided into 3 major classes. Viz. Upper class, middle class and the lower class based on one's religious and cultural attributes on the one hand and earning capacity and income level of the individual on the other. This being the structure of the society to which we belong to and every decision made or the policy undertaken

by the government for the upliftment and benefit of its citizens has varying impact on the life of the people belonging to the different strata in the country.

The act and fact of the Demonetization has also had an everlasting impact on the life of every Indian citizen and can be regarded as an historic event that came as a "Boon" as well as "bane" depending upon the category to which an individual belonged to in the society. Though the government's decision came as a "Tsunami wave" and took in its sweep every Indian, the decision hit hard on the day-to-life of a common man who belonged to the lower strata of the society. This is the reason why the researcher has chosen to analyze the impact of Demonetization especially on the life common man in India.

To better understand and the position the researcher has divided the research article under 4 main heads:-

1. Meaning of demonetization
2. Previous accounts of demonetization in India
3. The present scenario
  - Benefits of Demonetization to the Indian economy.
  - Impact of Demonetization on the life of common man-Analyzed.
4. Conclusion

### **1. Meaning**

Demonetization can be explained to mean an act, whereby the value of certain currency unit is reduced to zero hence the particular currency unit no longer remains a legal tender and whereby a new currency unit is replaced with the old one of same denomination or a different denomination.

Our government announced Demonetization of the existing ₹ 500 and ₹ 1000 units on 8th Nov. 2016, which came as a surprise for the nation and created a huge chaos and confusion among the people who had no idea of what they were to go through in the next few days of the announcement and what the future held for them. But when the Prime minister explained the reasons for Demonetization through which he promised to give India a "bright future" the layman had to accept the move though no one could digest the "soup" they were in.

### **2. Previous Accounts of Demonetization in India.**

The Demonetization move of 2016 though it came as a surprise, is not an 'alien concept' and our history has accounts that, previously government has demonetized various currency

units. Not only India but countries world over like Zimbabwe, Fiji, Singapore and Philippines have opted for demonetization.

To be more precise, as early as in 1946, the British Raj Government pulled out ₹ 500, 1000, and ₹ 10,000 notes from circulation. Later in year 1978 the Janata Party coalition government has also demonetized currency notes of ₹ 1000, ₹ 5000, and ₹ 10000 notes. The goal behind demonetization, being none other than what today's government intended- Curbing menace of the counterfeit and black money.

The above mentioned facts clearly indicate that, government has resorted to demonetization in the past and history already has accounts of the impact of demonetization on the life of the common man. Nonetheless the BJP government took a giant step for the betterment of the nation with least concern for a backup plan to face the impact and aftermath their decision of Demonetization would have on the citizens of nation.

### 3. The Present scenario

In spite of the hue and cry against Demonetization large section of the society accepted the move and went through all the turmoil, with only one intention, as was assured by the Prime minister that Demonetization will bring out the hidden 'black money' and curb 'corruption' which is the black mark for Indian economy. In the wake of "Aache Din" promised by the government the majority of people thought why not show our patriotism and support this move which will lead the country towards a "Dawn of Swachh Bharat" clean from "pollution and corruption" in one single swipe.

Now the question before every such individual was what actually Demonetization does to benefit Indian economy? So we will first need to analyze benefit of Demonetization and then compare it with the factual situation to know whether Demonetization has done any good to Indian economy and common man or not?

Firstly as the Demonetization move by the Government in 2016 gave very less time span to exchange of the demonetized currency, those with ill-gotten money could not easily exchange the hoards of black money with the new currency notes nor could they deposit it in their account and thus the country was expected to be free from black money. After the Demonetization move, as those who really wanted declare their wealth had to pay taxes and penalties and those that kept mum would extinguish the liability of the government as every single note is the liability of the government (Reserve Bank Of India).

Secondly, demonetization would make the loans available at a lower interest rate. In the sense that, it is estimated that people have deposited over Rs 6 lacks crores in the bank since demonetization in the initial days. This deposit will have to be released by the bank into circulation and hence, loans for business and housing will be available at lower interest rate which would benefit the middle and lower class people.

Thirdly, demonetization hits hard on the black marketers and real estate developers. The real estate transactions are mostly cash based and a great source to defy taxes and holding black money and this accumulated black money can be brought into circulation.

Fourthly, the nation can be protected from the jaws of terrorism, drugs, and fake currency rackets, for hoards of fake currency notes used for such social evils can no longer play it's game once certain currency notes have been demonetized.

Other than the above mentioned major benefits there are also other benefit like:

- The admission fees or donations fees unscrupulously demanded by the schools and colleges which, was previously taken in the forms of cash (black money) would come to end.
- With the channelization of the cash transactions in the future people cannot evade taxes which will in turn benefit the government to develop various avenues and job opportunities for the youth and nation building activities.
- With the restrictions on the cash deposit and withdrawals that can be made by an individual after the demonetization move the Income tax department can be more vigilante over the money transaction that are made by the Industrialist, bureaucrats and politicians.
- One more remarkable advantage of demonetization in India has been to push the Indian economy towards becoming digital. This move of the government to greater extend has encouraged its people to opt for digital money transactions leading to safer and faster cash transactions.
- The use of banks, which was earlier very sparingly done for depositing money has, because of the demonetization episode become a regular and more resorted option for safe money deposits thereby avoiding hoarding unaccounted money by unsafe means.

To sum up the demonetization move if the BJP government in 2016, can be justified to certain extent, but in this process of exchanging of old currency units with the new ones or in the

struggle to deposit their hard earned meager savings into the banks in such a crucial situation or at least to withdraw cash for the basic needs during the initial period of demonetization, it was the common man who had to wait in long queues with vague attempt to withdraw cash from ATM's which were either deficit of cash or not calibrated to deal with the new currency notes. Worst was the situation of daily wagers and the poor class who even had less or no money to feed their families amidst the demonetization drama.

Though hospitals and petrol pumps were asked to accept the demonetized currency initially, they were reluctant to accept the old currency because there were no proper guidelines and instruction from the government and rumors made these people to play safe. In the midst of this "to do" or "not to do" situation the family of patients had to undergo a double stroke of trauma and distress with the life and death situation of their patients on one the hand and money problem on the other hand.

Then there were this other group of people or families who had auspicious occasions or marriage ceremonies in their families and this demonetization news changed their happy moments into a disastrous ones with no cash to manage the expenses. Though people with invitation cards were given some lenience with cash withdrawals it could not answer the call of many people who were in such a pitiful situation. But on the other hand the situation did not in away effect the ceremonies of the ministers or the rich class who, instead of helping their people who had voted them, enjoyed lavish weddings.

Then speaking of eradicating corruption from India, the researcher wants to point out the fact that after almost 2 long years after demonetization the availability of Rs 2000/- currency has made the corruption business more easy and flexible and the demonetizations doesn't even seem to have erased corruption of at least 1% in the country. The "needy still pays and the greedy still takes" for the common man corruption has now become a part and parcel of his life with which he has now ultimately learned and managed to survive in the economy where "Corruption" is not a evil but has become a part of the custom of this nation.

The demonetization, which was expected to bring out black money was in turn made a safe ground to turn the black money either into gold or real estate or been exchanged into valid currency at a discount of 15% - 40%. No black money came out but the petty saving of house wives which they had pinned out from their husbands pockets to meet financial and medical emergencies had to be surrendered.

So also the restriction on cash deposits during demonetization was also a failure as big businessmen and industrialists deposited their black money as per allowable limits of deposits in the saving accounts of their employees. Once again the big fish escaped easily and the common man was hooked up in the fix. Reports during the demonetization period even brought to light of instances of large money deposits into accounts of such poor individuals who did not even have enough money to maintain their minimum balance in their savings account!!!

And last but not the least the fact of digitalization of cash transaction after demonetization leading Indian economy towards "Plastic money" though appears to be a gain in demonetization move on the outer look, actually has had a great impact on not only the poor illiterate masses but also on the educated ones. It is a fact that in India cash is the prime mode of any commercial transaction. But digitalization without any formal training really acted as "salt on the wounds". The common man who was already distressed and shattered with the impact of demonetization has had also to cope up with this new trend which made his life more difficult. With no proper initial infrastructure for digital cash transaction small business and specially the day wagers had to further experience hell like situation during the initial days of demonetization.

In the midst of all this the real culprits sat mum and enjoyed every bit of the situation because they had enough to cash and commodities to face the situation. The only worries for them was to find a safe way out to convert their black money into white, in which they succeeded with flying colors and the common man who paid his taxes and who had account of all his hard earned money became the unnecessary target of the demonetization shoot out!!

#### **4. Conclusion**

Everything said and done, the bitter fact is that the decision on demonetization by the government had to fall on the lap of the people without any previous intimations, to avoid any escape from the jaws of law but, then if the government had taken proper precautions and measures before initiating such an important move, which not only did affect the common man of nation adversely, but also was a major cause for unjustified deaths of more than 100 people in the country, this story would have had a happy ending!!! On the contrary the question till date lingers unanswered whether demonetization was really worth the pain.

Today, if we take a sneak peek into the past, we realize that even after all this melodrama of our government, we still live in the same unchanged present, in a country, where corruption is still a custom, black marketing and terrorism still our worst enemies and the future of the nation



still dangling in the hands of unworthy politician who are and always have been concerned with just warming their pockets.

Here at this point the researcher wants to suggest through this research article that, whenever in future, if the government wants to take an affirmative action for the welfare of the nation, the demonetization episode of 2016 be remembered as a lesson learned the hard way and that, though they may have to implement a law or policy instantly without any previous intimations, the government should have a full proof backup plan to support their move and spare the common man from the sufferings and misery for whose benefits the decisions and policies have claimed to be made!!

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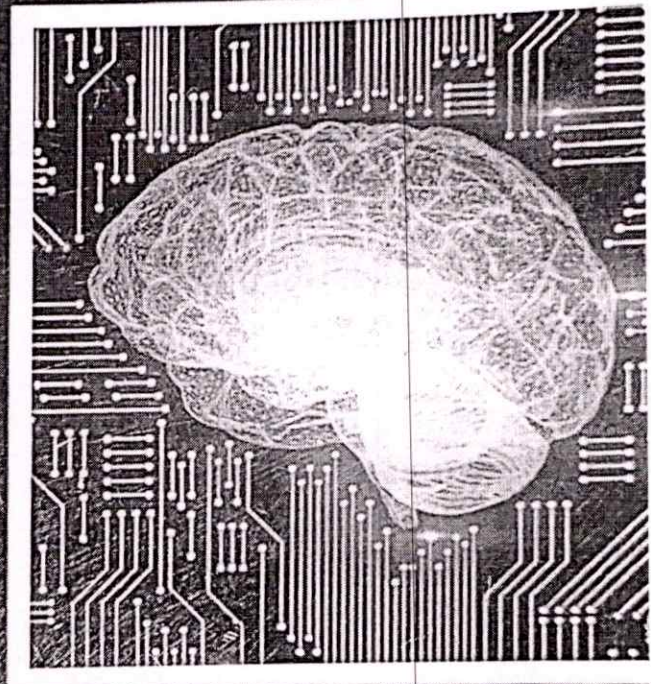


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**Ajanta Prakashan**

# CONTACT FOR SUBSCRIPTION

ALANTA NO 9001 800 240 0677

Vinay S. Patil

Jalgaon, Near University Camp, Jalgaon (M.S) 491 004,

Cell: 9879240077, 9822430077, Pin 0240-240077

E-mail: [vinaypatil1377@gmail.com](mailto:vinaypatil1377@gmail.com) or [vinaypatil@rediffmail.com](mailto:vinaypatil@rediffmail.com)

