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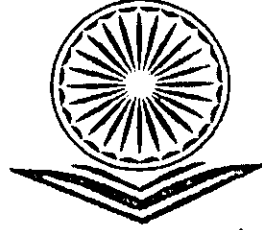
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3. Demonetization & Unorganized Labour

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Introduction

As we all know that the govt has implemented a major change in the economic field by demonetizing the high value currency notes of Rs. 500 and Rs 1000. These notes were ceased to be effective from 8th of November 2016 and the change was to be implemented right from 9th of November itself, which was a step without any pre planning or without prior intimation to the public at large. People were given a time limit of only few days that is only upto 30th of December 2016 to change the currency notes in their possession. This specific proposal of the govt involves the elimination of the existing notes in circulation and a gradual replacement of new set of notes. The reason for such a drastic step taken for demonetization is twofold one is to control counterfeit notes that could be contributing to terrorism, and second to undermine or eliminate black money.

Historical Elevation

The French were the first to use the word Demonetization in the years between 1850 and 1855. Since then many countries have used the word and the policy.

India has demonetized for the first time on 12th Jan. 1946. (Saturday. Second time on 16th Jan. 1978 (Monday), Third time on 8th November, 2016 (Tuesday).

In case of the first event of demonetization , the results of demonetization measures were summed up by Sir Chintaman, in his Dadabhai Naoroji Memorial prize fund . Lectures, delivered at Bombay in February 1957 as "It was more of "conversion" at varying rates of profits and losses than demonetization .

The second event of demonetization has be remarked by the finance Minister H.M. Patel in his budget Speech as 28th Feb. 1978 as - The demonetization of high denomination bank notes was a step primarily aimed at controlling illegal transactions. It is a part of a series of measures which Govt. has taken and is determined to take against anti-social elements.

The consequences and effects of the third event of demonetization is the matter of discussion in the present research article. The third event of demonetization was declared on 8th

November, 2016. It was aimed to check 'Black Money and fake currency Notes in particular. It was surprisingly and suddenly announced by the Prime Minister in his television Address to the nation in the evening of 8th November, 2016 at 8 p.m. The Demonetization announced was that of Rs.1000/- & Rs.500 currency Notes.

Objectives

- 1) To study the effects of demonetization on general public.
- 2) To study the impact of demonetization on unorganized labour.

Meaning and Policy of demonetization

Demonetization is the act of stripping a currency unit of its status as legal tender. Thus demonetization becomes necessary, whenever there is a change of national currency and the policy of its being used. In such a situation the old currency needs to be retired and replaced with a new currency unit.

Thus demonetization is the withdrawal of a particular form of currency from circulation. Through demonetization old currency is replaced by a new currency note or a currency circulation of specific note is blocked.

These demonetization measures have significant and immediate impact on the state of the Indian economy. These measures are also expected to have a long time effect on certain classes of the unorganized sectors

Scope of the Study

As we peep into the history of demonetization in India, it is seen that the demonetization under discussion is the third event of demonetization in India. If the actual figures and calculation of the demonetized currency notes and their circulation in all the events of demonetization they can be summed up as.

In the first stage In January 1946 bank notes of 1000 and 10000/- Rs. were withdrawn and new notes of Rs.1000, 5000 and 10,000/- Rs. were introduced of 1000, 5000 and 10 thousand Rs. were demonetized on 16th Jan. 1978 as a means to prevent counterfeit money and black money.

Going through the Specific present calculations of demonetization it is seen that, on 28th October, 2016 the total number of bank notes 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 31st March, 2016 the total bank notes in circulation valued to 16.42 lakh crores i.e. (US \$ 240 billion) of

which nearly 86% means almost 14.18 lakh crore (US \$ 210 billion) was 500 & 1000/- bank notes. In terms of volume, the report stated that 25% (around 22.03 billion) of the total 90,266 million bank notes were in circulation.

The scarcity of bank notes and cash which arose suddenly due to demonetization led to current unrest and chaos among most of the places. People in possession of old bank notes faced difficulties in exchanging them due to endless line for such exchanges outside the banks and ATMs throughout the country. The scarcity of bank notes also affected the ATM's as they were running out of cash for hours and around half the ATM's in the country were non-functional and this raised the degree of suffering of the general public on large scale.

It was seen that after announcement of demonetization, about 800,000 truck drivers were affected with scarcity of cash and around 400,000 trucks stand at major highways across India were reported & also farmers & their unions protested against demonetization and its effects on their economic difficulties.

A terrible setback was seen in the International standing of the Indian economy & the economic field was seen to be struggling with a slowdown. Real estate may see significant and noteworthy course correction. The demonetization decision was expected to have far reaching effects on real estate. Black money was seen to be responsible for gross appreciation of properties in metros. The real estate prices have seen a sharp drop Impact of Demonetization.

It can be seen that demonetization has been seen to be two-fold, in positive and negative effects. The demonetization measures have had significant and immediate impact on the state of the Indian economy, which are expected to result in long term impact on some sectors.

Positive impact

They can be summed up as :

- Black Money Tracking
- Reduction in illegal monetary activities.
- Increase in investment in Jan Dhan Yojana.
- Terror funding reduction.
- Course correction in real estate.
- Moving towards digital payments & digital transaction.
- Increase in Tax-revenue.

Negative impact

- Public inconvenience.
- Reduction in Money circulation.
- ATM calibration
- Corrupt and fraudulent activities.
- Decrease in business transactions.

Impact on unorganized Sector

India has a large population of unorganized labour, majority of the labour and poor sector fall within the class of unorganized labour.

Taking into consideration this specific fact it has to be specifically studied as to the nature of transactions done by this sector. If the labourers in the unorganized sector, such as Agricultural labours, Domestic workers specifically women, roadside vendors, vegetable vendors all may be included within this category of unorganized labour.

General impact on unorganized labour

This specifically includes the difficulty that has arisen in handling the situation due to demonetization, as the transactions which were easy to be carried out in cash, now, need proper planning, intelligence and foresight such as recalibration of ATM machines, this class specifically lacks all the above.

Specifically if we observe the agricultural sector we clearly notice that demonetization was declared in harvest time, when the farmer was in need of money in cash for purchase of seeds for new crops and fertilizers. In order to harvest the crops he was in need of machinery which was generally made available on rent, which again needed to be paid in cash. This particularly was not possible as they did not possess cash due to scarcity of cash in Banks.

Moreover it also needs to be considered that in order to obtain this cash he had to stand in queues in the banks for days together, which he could not afford as the harvest season and time was passing and late cultivation would definitely bring a great loss.

Further more, the deposits of such farmers were generally with the co-operative banks and the district Central Co-operative banks, which had limitation over withdrawal. This led to gross inconvenience to this sector.

Six days after Rs.500 & Rs.1000 notes were demonetized the RBI disallowed district co-operative bank from accepting and exchanging the withdrawn currency. With the RBI also

refusing to accept notes, already deposited during those six days amounting to Rs.2000 crore. The Co-operative banking Institutions went through a year of litigation and started operations with normally still to return.

In this period the impact on DCCB's was severe in state such as Kerala and Maharashtra where the co-operative banking network is extensive.

The unorganized sector of India include 93% of the working population the marginalized labour in construction sector has come to a slowdown & during the specific period many had to lose even their jobs.

More than 50,000 migrant workers from Bihar were estimated to have returned to their home state after losing their jobs due to currency crisis. Most of the labourers, masons, cycle factory workers, textile mill employees and jewellery artisans were also facing the same problem as their employers could not pay their wages due to restrictions on withdrawals.

Organized sectors were already familiar with digital banking and other electronic transactions in some or the other way, but the unorganized labour sector have suffered the most as they had been used to get and save in form of currency notes. They do not hold black money but maintain currency as a part of the system. They found it very difficult to manage as they were not paid wages but had to buy their essentials.

Majority of the Indian unorganized sector is illiterate or less educated due to which they do not have sufficient knowledge of cashless transactions. The resources available to this class are also limited. Thus the capacity of these unorganized small scale traders and vendor to purchase their raw material etc. is also affected, which in turn also affects the selling price of their goods and produces which causes a serious loss to them. This makes it crystal clear that it would take a long way for the rural and unorganized labour sector to adapt to the process of digital payment and the business which are mainly cash driven will have to adapt the new modes of payment so as to reach the effect of bringing a positive change by way of Demonetization

"It is pertinent to note that "The hosiery and bicycle industries in Ludhiana, the brass industries in Moradabad, the lock industry in Aligarh, the jewellery industries in Surat & Baroda, the plantation industries in West Bengal & Kerala they had all shut down. It was found that small scale units that operated as an ancillary unit to the big industries were shut down.

All the evidence suggested that it was the unorganized sector that was hit the most." .says Arun Kumar, a renowned authority, on the Black economy, who taught at the centre for

Economic studies and planning at Jawaharlal Nehru University & also helped former Prime Minister V.P. Singh in economic topics in his address to the "Economic times".

Conclusion

Demonetization of the high value currency notes is a major step towards eradication of black money for the larger interest of the country such decisions are inevitable, it also has a good impact on curbing black money to some extent, it also reflects to be step towards good governor and transparency .

Yet it cannot be overlooked that it has adversely affected the general public, causing gross inconvenience, which could be avoided if such a step would have been taken after due preparation.

Another aspect is that it may not even be helpful to curb the black money fully which was its basic objective.

Thus demonetization has adversely affected unorganized labour, and has a negative impact on this sector.

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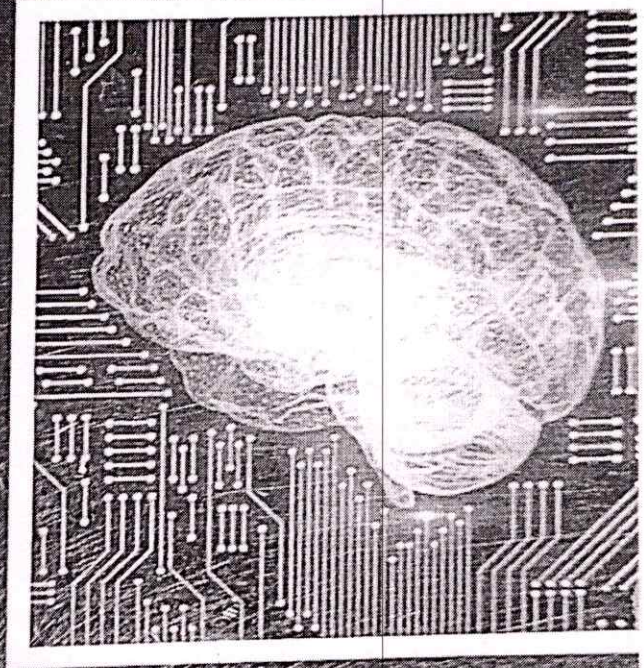


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