

A Study on Impact of Demonetization on Business Sector

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Abstract: *Demonetization is a government policy that involves the sudden withdrawal or invalidation of a specific currency denomination, typically aimed at curbing black money, corruption, or promoting a shift towards digital transactions. It often involves replacing old currency notes with new ones to disrupt illegal financial activities and encourage a more transparent financial system. However, the impact and effectiveness of demonetization can vary based on the implementation, economic conditions, and public response.*

Keywords: Currency, Legal, Tender, Government policy, Corruption

I. INTRODUCTION

Demonetization is a significant economic policy implemented by governments to curb various issues related to the circulation of currency within an economy. It involves the sudden withdrawal of the legal tender status of a specific and complete replacement of existing currency notes and coins with new ones. This move is intended to bring about a transformation in the economic landscape, typically by targeting sectors including finance, trade, industry, agriculture, and public services. The main ones typically include red illicit activities such as black money, corruption terrorism.

Demonetization can have far objectives behind demonetization a digital economy addressing tax evasion, encouraging formal financial transactions, and promoting transparency.

The process of demonetization often involves a public announcement by the government or relevant authorities, specifying the denominations of currency that will no longer be considered legal tender after a certain date. Citizens are then required to exchange or deposit these demonetized notes and coins in authorized banks or post offices within a stipulated period. Simultaneously, new currency notes and coins are introduced into the system to replace the demonetized ones.

It's important to note that demonetization is a complex and multifaceted process that can have both short-term and long-term impacts on an economy. Public support, effective implementation, and proper measures to mitigate disruptions are critical factors in its success. The decision to demonetize is usually a result of careful consideration of the prevailing economic circumstances and the desired outcomes set by the government.

II. REVIEW ON LITERATURE

Ms. Yogita Mahimkar Demonetization – A step towards digitization.

Deepika Sarda Demonetization – A Study of its impact in short term and long term.

2.1 OBJECTIVES

1. To study Demonetization and its implications on the Indian Economy. O
2. To take the impact on various sectors of the Indian Economy.

III. RESEARCH METHODOLOGY

The present study is exploratory in nature and uses technique of secondary research for the same. Thus the study is primarily based on secondary data collected from various sources viz. books, journals and internet.

Demonetization refers to the process of stripping a currency unit of its status as legal tender, rendering it invalid for transactions. This typically involves the replacement of old currency notes with new ones to combat issues like black money, corruption and counterfeit currency, and promote a digital economy.

IV. FINDINGS

Demonetization is typically implemented to achieve several objectives, including reducing corruption, curbing black money, combating terrorism financed by counterfeit currency, promoting digital transactions, and formalizing the economy. Impact on Black Money: Demonetization aims to flush out illegal or "black" money from the system by rendering the existing high-denomination currency notes worthless, making it harder for individuals to hoard illicit funds.

- Economic Disruption: Demonetization often leads to short-term economic disruption as the sudden withdrawal of a significant portion of the currency in circulation can temporarily slow down economic activities, affecting businesses and individuals.
- Assess the success in achieving demonetization objectives, considering factors such as reduction in black money, counterfeit currency, and increased digital transactions. Analyze the overall economic impact, including GDP growth, employment, and industrial output.
- Lessons Learned:

Demonetization requires careful planning and execution to mitigate adverse effects on the economy and citizens. It should be part of a comprehensive strategy with measures to promote financial inclusion, curb corruption, and encourage digital transactions.

V. CONCLUSION

Demonetization is a significant economic policy in which a government discontinues the use of specific currency denominations as legal tender. In a nutshell, it aims to combat issues such as black money, counterfeit currency, and promote a digital economy. The goals often include reducing corruption, increasing tax compliance, and enhancing transparency in financial transactions. However, the success and impact of demonetization can vary based on the specific context, implementation, and accompanying measures. It's a topic of ongoing debate and analysis within economic and policy circles.

REFERENCES

- [1]. Ms. Yogita Mahimkar Demonetization – A Step towards Digitization.
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