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Research Article

DEMONETISATION OF HIGH CURRENCY & ITS EFFECTS ON INDIAN ECONOMY AND SERVICE SECTORS

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ABSTRACT

An economic earthquake was witnessed by Indian economy by NDA II government announced on 8th November 2016 that Rs 1000 & 500 notes will not be the legal tender and the old notes can be deposited by 31st December 2016. The main intension of Modi Sarkar was to curb corruption, black money, fake notes and to address the willful tax evaders who escape our tax net as only 3% of eligible tax payers file return and pay tax and others avoid and escape. There are some plus and some few drawbacks in this policy decision and March end 2017 Indian economy will get the correct picture how poor were benefitted.

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INTRODUCTION

Hon. Prime minister Narendra Modi on 8th November 2016 demonetised 500 and 1000 rupee notes with the intension to address the cancer of corruption, black money, fake currency used by terrorists and to challenge the tax evaders. We have just 3% sincere tax payers and rest do not pay tax. Corruption is in every walk of life like education, medical treatment, jobs, real estate and in many sectors of economy. 86% of total 16.24 lakh crores notes were withdrawn. As a result most of the sectors were hard hit as per India Today November 21 2016 report the impact of such exercise was heavy.

Real estate with 6.5 crore economy with 11% share in GDP and 30% black transactions had to forego the black element at once. Jewellery with 3 lakh crore with 6% GDP and 80% black transaction had to stop black element. Hotel Industry with 2% of GDP was hit by less customers and small hotels were empty. Betting was the prime business with 100% black element had to forego black element.

India Today dated Dec 5 2016 reports that many markets were hit hard like New Bombay fruit/ vegetable market saw 50% down the business.

Agriculture has 97% daily workers with 49% people of India do farming were hit for cash crunch, also the rabi season has problem for daily operations.

Small Industries

60% SSI units had to suffer low orders for execution and labor suffered because of cash crunch. Sales dried up and many are about to close.

Transport

As cash was not available for day to day work many trucks stopped operating and in rural India old notes were in circulation and truckers did not take

Auto

This sector lost 75% shock in sales of cars and two wheelers Steel cement construction industry saw a drop of 40 to 50% in operation

FOXON the mobile manufacturer had given 1700 workers leave of a week as they have 5000 workers with less jobs

LAVA also gave leave to 5000 workers leave for one week Banks could not fulfill the expectations of account holders as 70 people lost their life in long ques. We have 25 crore Jan dhan accounts saw filling of money by rich 164000 crore and the poor had to obey their masters. In Delhi Chennai Bangalore and Hyderabad Bank officials Post Masters took commission to exchange the money in to new notes and were arrested.

Objective to Find How Demonetization Will Help Economy

Hon. Prime minister Modi has great desire to help poor who are the slaves of corruption, black money and their life is becoming

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worst even after 70 years of freedom and poverty is not decreasing. Also he wants to warn tax evaders to pay tax or face drastic action with heavy tax and penalty. The fake notes generating from Pakistan is promoting terror across the line of control and spoiling our peace and harmony as every day our young jawans are losing their life in Jammu and Kashmir. He has taken sudden decision to withdraw 1000 and 500 rupee notes from circulation which is 86% of all notes. Even Anil Bokil an economist by training and engineer by profession advised Modi long back to withdraw all currency notes Rs100 500 and 1000 and have Cashless economy. He advised full tax removal and one tax like transaction of 2% which will generate enough revenue to defray our budgetary expenditure. He advised to do in phases with full preparation to replace the withdrawn currency. Our objective is therefore to find whether Corruption is removed? Whether black money vanished? Whether the tax evaders are paying tax? Whether fake currency has stopped?

There are many constraints to these finding because the present bureaucracy, police officials, general post masters high ranking bank managers are not morally good to support Modi's plans. Secondly in officers judges and bank officials there is not enough work force to implement the schemes because every plan must percolate in 650000 villages across India. Villages still do not know about this plan.

After one month every day lakhs or crores of money is confiscated and the new notes were found in DELHI Chennai Bangalore and Hyderabad is a matter of concern about the success

As we have only 4 Government printing presses to generate new notes and as per their capacity it is estimated that they will take SIXMONTHS to replace the 14 lakh crore withdrawn currency these matters are of great importance to study the issue of DEMONETIZATION

RESEARCH METHODOLOGY

Primary Data - To Survey People by Asking Questions Regarding the Cash Crunch

Secondary Data - To Find Published Data from Newspapers Magazines and Web Sites

Interpretation & Tables To Assess The Finding By Charts Pie Diagram Histograms And Interpret The Finding And Draw Conclusions And Give Suggestions

We have collected more data from India Today dated November 21 and December 5 2016 followed by some published data from Economic Times Free press Journal DNA Mumbai etc

Q Whether the terrorism has decreased by such demonetization?

Some effect is witnessed as funding is controlled 40% reduction in cross border attacks YES

Q Whether Corruption has come down?

People say the effect will take time because this cancer cannot be cured as demand for gold rings or any kind of favor will be operating corruption cannot be removed there are many methods to take bribe people say?

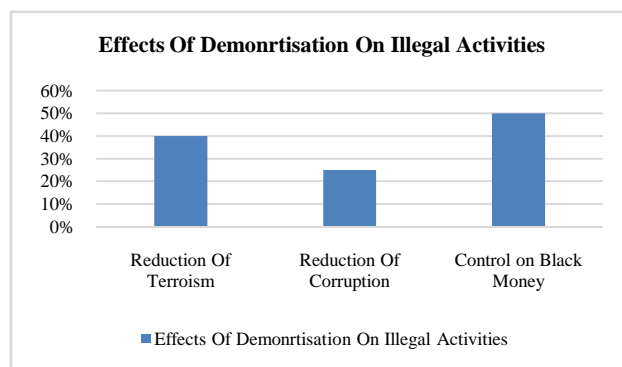
ONLY 25% reduction in Corruption

Q Whether Black money is controlled?

It is difficult to assess this because blackmoney has entered not in banking but in real estate GOLD and foreign currency In Jan DHAN black money has entered and District coop banks Nagri Coop Banks

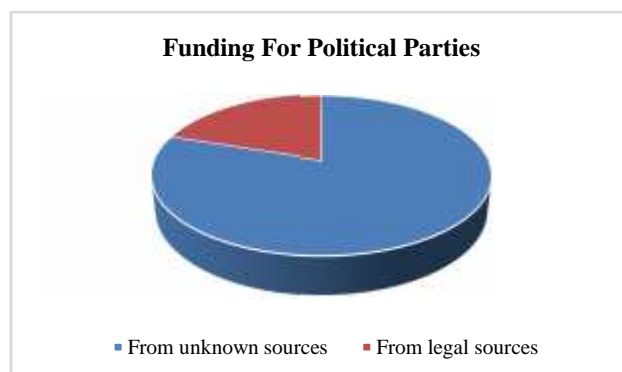
Chit funds are sources of black money GOVT is controlling Only 50% black money be curtailed

As per my observation the figures are as follows-
Table no.1



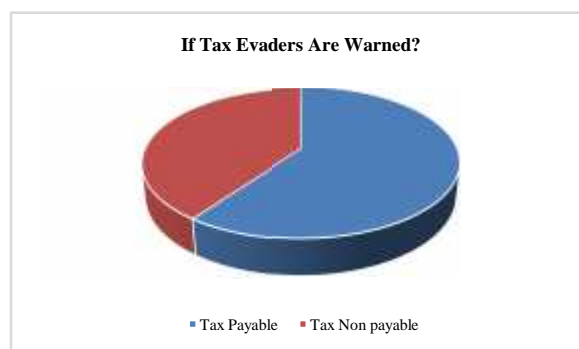
Q Political Funding is done below 20000 and 80% is from unknown sources is the answer

As per observation and surveys political fundings figures are as follows-
Table no.2



Q Whether Tax evaders are warned? YES to a great extent TAX COMPLIANCE WILL BE UPTO

60% will pay 40% will not pay or hide it by Nawaleor foreign currency etc.



DEMONETISATION IMPACT *					
IMPACT on	Next 3 Months	3 to 6 months time	6 to 12 months time	12 months to 3 years	Next 3 to 5 Years
Indian Economy (GDP Growth rate)	Slightly Negative	Negative to Neutral	Positive	Very Positive	Hugely Positive
Real Estate	Hugely Negative	Hugely Negative	Hugely Negative	Negative to Neutral	Neutral to slightly Positive
Bank Fixed Deposits	Negative	Negative	Negative	Negative	cannot say
GOLD	Neutral to Negative	Neutral to Negative	Negative	Negative	Negative
Debt Mutual Funds	Hugely Positive	Very Positive	Very Positive	Very Positive	Very Positive
Hybrid Mutual Funds	Neutral	Neutral to Positive	Very Positive	Hugely Positive	Positive
Stock Markets	Volatile	Volatile	Very Positive	Hugely Positive	cannot say
EQUITY MUTUAL FUNDS	Volatile	Volatile	Very Positive	Hugely Positive	cannot say

NewsPaper's Articles Reviews

DNA - 5-12-16.

DEMONETIZATION BENEFITS START ROLLING FOR INDIA INC

Companies can now meet their needs at a lower cost as demonetization has forced banks with cash and the lenders are putting that money into debt securities.

45 less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

8 less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

3.96 less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

5 less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

157 less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

RAISING YIELDS
The 10-year yield on the 10-year government bond has risen to 10.5% from 10.2% in late 2015.

INDY PICTURE
The Indian economy is expected to grow by 7.5% in 2016, down from 8.5% in 2015.

BURDING ISSUANCE
The government has issued a record amount of debt in 2016, up from 2015.

ECON TIMES 9-12-16.

Consumption Shinks Big Time on Liquidity Squeeze

THE CASH CRASH with very little cash at their disposal, consumers not only cut back on the sure activities, but they also put their purchases of consumer goods on hold.

22.7% less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

54% less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

42.1% less - For a long time, the average AAA corporate bond in India has been trading at a yield of 10.5% since 2014.

Demand Takes a Hit
The demand for consumer goods has fallen significantly since demonetization.

DNA 5-12-16.

Services sector contracts in November on cash crunch

New Delhi: The hard hit services sector, the backbone of the Indian economy, contracted 0.1% in November, the first decline in 11 months.

The services sector has been hit hard by the demonetization drive, as businesses are unable to accept cash payments.

The PMU index for services has fallen to 55.4, down from 56.1 in October.

PMU INDEX SERVICES

DNA 6-12-16.

Demonetization blues: Gold may have lost its shine for a few years

NEW DELHI: The demonetization drive has led to a sharp decline in gold prices, as investors seek alternative investments.

The price of gold has fallen by 10% since demonetization.

STANDARD GOLD

DNA - 5-12-16

DEMONETIZATION BENEFITS START ROLLING FOR INDIA INC

Corporate India has already seen benefits of demonetisation. The latest dividend and the bonus of ₹100 crore will be paid to shareholders.

45% increase in share price
 20% increase in P/E ratio
 10% increase in EPS

DAY TO 8 JULY 2016 BY THE AMB
 3.96% increase in share price

157% increase in share price

FINANCIAL PLANS
 10% increase in share price
 20% increase in P/E ratio
 10% increase in EPS

BUSINESS PROSPECTS
 10% increase in share price
 20% increase in P/E ratio
 10% increase in EPS

BONDING INSURANCE
 10% increase in share price
 20% increase in P/E ratio
 10% increase in EPS

Free Press - 5-12-2016

Time for RBI to speak up

King's College View
Jagdish Rajgopal
and R K Narayan

The Reserve Bank of India (RBI) has been silent for a long time since the demonetisation of high denomination banknotes. It is time for the RBI to speak up and explain the reasons for its silence. The RBI has been silent for a long time since the demonetisation of high denomination banknotes. It is time for the RBI to speak up and explain the reasons for its silence.

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Cash ban and Pokhran test

How India dealt with the unpleasant aftermath of the nuclear test is worth remembering

The cash ban and the Pokhran test were two major events in India's history. The cash ban was a bold move by the government to curb inflation and reduce the money supply. The Pokhran test was a significant achievement in India's nuclear program. Both events had a profound impact on the Indian economy and society.

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THELE KA SHAMELA

STREET FOOD JOINTS BEAR THE BRUNT OF DEMONETISATION

Street food joints are the backbone of the Indian economy, especially in the informal sector. The demonetisation of high denomination banknotes has had a significant impact on these joints. Many vendors are struggling to get their daily wages and are unable to pay their suppliers. This has led to a sharp decline in the number of street food joints across the country.

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The demonetisation has led to a sharp decline in the number of street food joints

The demonetisation of high denomination banknotes has had a significant impact on the Indian economy, particularly in the informal sector. Many street food vendors are struggling to get their daily wages and are unable to pay their suppliers. This has led to a sharp decline in the number of street food joints across the country.

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DEMONETISATION BLUES LINGER A MONTH ON

Services sector sees 1st fall since June '15

ED arrests 2 pvt bank managers for helping to launder ₹40cr

The demonetisation of high denomination banknotes has had a significant impact on the Indian economy, particularly in the services sector. The services sector has seen its first decline since June 2015. This is due to the demonetisation of high denomination banknotes, which has led to a sharp decline in the number of transactions in the services sector.

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Cash crunch strikes NH7 Weekender fest

Festival goes cut back on food and drink; entrepreneurs get savvy to sell their products

By Anand Kulkarni



The annual NH7 Weekender festival, which is one of the largest music and entertainment events in India, has been hit hard by a severe cash crunch. The festival, which is held over a weekend in a scenic location, has seen a significant drop in attendance and revenue. The organizers have had to cut back on food and drink, and many of the stalls have been closed. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

Cash crunch makes border tax a burden

Private tourist buses stranded for hours at the state borders as officials refuse to accept ₹500 and ₹100 currency

By Anand Kulkarni



The severe cash crunch in India has made border tax a burden for private tourist buses. The buses are stranded for hours at the state borders as officials refuse to accept ₹500 and ₹100 currency. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

Wait 3 weeks for ATMs to be up 24x7

Time Needed To Reinstall All 2,47,000 ATMs Says Jaithey

By Anand Kulkarni



The severe cash crunch in India has led to a significant shortage of ATMs. The government has announced that it will take three weeks to get all 2,47,000 ATMs up and running 24x7. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

ENTERTAINMENT SECTOR HIT HARD BY CASH CRUNCH

By Anand Kulkarni



The severe cash crunch in India has hit the entertainment sector hard. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

Veggie wholesale rates crash, retail prices only dip in cities

Rural Food Trade Worst Hit As Cash Vanishes

By Anand Kulkarni



The severe cash crunch in India has led to a significant drop in vegetable wholesale rates. The retail prices have only dipped slightly in cities, but the rural food trade has been hit hard. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

Commodity	Unit	Current Price	Previous Price
Onion	100 kg	110	120
Tomato	100 kg	100	110
Brinjal	100 kg	80	90
Cauliflower	100 kg	120	130
Carrot	100 kg	100	110
Spinach	100 kg	80	90
Chickpea	100 kg	120	130
Mustard	100 kg	100	110
Chickpea	100 kg	120	130

No relief as ATMs run dry, dash cash hopes

By Anand Kulkarni



The severe cash crunch in India has led to a significant shortage of ATMs. The government has announced that it will take three weeks to get all 2,47,000 ATMs up and running 24x7. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event. The cash crunch has also affected the artists and performers, who have not been paid for their services. The festival has been a major disappointment for many fans, who had been looking forward to a weekend of music and entertainment. The cash crunch has also affected the local economy, as many of the vendors and service providers have not been paid for their services. The festival has been a major setback for the organizers, who had invested a large amount of money in the event.

PMO has instructed that such money be kept until further orders is clear indication of poor becoming rich and the rich becoming poor. India witnesses Crores of NEW and OLD Notes be confiscated by Income Tax authorities and the POLICE in between made a fast buck by taking 30% kick back to release the victims carrying huge cash. The Economic Administration has utterly failed to give justice to central exchequer and the mind set of bureaucracy (NIYYAT) of officers in banking system and officers in Postal department made a fortune in the process as the give and take business prevailed and our history to betray the honest repeated once again.

The Time will say what benefit the common man can have in long run in terms of inflation and reduced cost of living and low corruption as planned by the NDA II. The basic idea for this exercise was to address the generation of BLACK MONEY, CORRUPTION, and FAKENOTES AND TAX EVADERS. But the experts say the black money is already in real estate, gold and foreign currency. The corruption cannot vanish and take a different route by accepting the bribe in KIND OR FAVOURS OR GOLD COINS.

What Experts Say on Demonetization

D Subbarao former Governor RBI

Demonetization will have positive impact on Indian economy He wrote this on a paper National University of Singapore. The shadow economy will merge with the formal economy and boost growth.

K V KAMATH former chairman ICICI Bank

Note ban will bring lower rate regime, better tax compliance and recapitalization of Public sector banks and fetch 2.5 lakh crore to government finances in long run.

R C Bhargava Chairman Maruti Suzuki

Make Cashless Transition Gradual and User friendly. This is first step to clean economy of black money curb corruption and terror activities.

Anil Agarwal Chairman Vedanta Group

Demonetization will help India in long run. Cashless economy will boost real healthy business.

Ashok Gulhati Economist in Agriculture

Mr. Modi has taken very bold political decision of demonetization of high currency notes will weed out corruption the black money will have a shock therapy. This will give positive effect on long term basis.

Ajit Ranade Economist

The replacement of 86% currency is huge task and flawless execution and effective implementation is a challenge we have cash economy in 75% transaction and rural India will face a big task to face cash crunch.

The first week of December witnessed an economic earthquakes across the country where bank officials lost morality and collected a huge booty which was at their disposal and exchanged old notes with new by taking a kickback running into lakhs. Never happened in the history of Independent India. It was reported that CCTV cameras were

installed in 500 banks across the country to nab the culprit who grabbed the chance to exchange money for a cut.

RBI has asked all banks and post offices to give details of old notes collection with value.

As per Times of India dated 11-12-16 new notes hoarded in different cities are Chennai 24Cr, Chitradurg Karnataka 5.7 Cr. New Delhi 2.5 Cr Hyderabad 65lakhs Kothur (HYD) 71 Lakhs Ahmedabad 10 lakh. All new notes in 2000 were done by bank officials or post masters (A FLAW IN THE SYSTEM)

CONCLUSIONS

1. The demonetization exercise will have some good effect in long run after one year
2. The demonetization will control black money to some extent
3. The Demonetization reduce corruption to some extent
4. TAX evaders will pay taxes to avoid scrutiny
5. Terror on borders plus NEXAL movement will have effect and internal terror will vanish

Suggestions

Work on war footing todistribute currency to 650000 villages very soon

Book the persons who carry cash as seen under MOCCA and jail them without bail

Special courts be appointed in all states to deal only Currency Related Cases

JAN DHAN accounts be investigated by sincere Income tax officers

LET RBI must intervene the problem of Coop banks Chit funds as the black money is hidden there

Let there be CCTV camera be installed in Govt offices Police stations and all Banks to find any illegal activity in the process and BOOK the guilty without bail for three years punishment in third degree treatment in JAIL

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