



Demonetization effect on people

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Abstract:

Demonetization of currency means discontinuity of the currency from circulation and replacing it with a new currency in the context of recent.

Demonetization in India it is the banning of the 500 and 1000 denomination currency notes by the government, the governments stated objective behind the demonetization policy are as follows; an attempt to make India corruption free, to restraint black money, control inflation, stop funds flow to illegal activities, make people accountable for every rupee they process and to regulate the tax evasion, make a less cash society and create a digital India.

The paper tries to study the history of demonetization in India & in different countries need for demonetization in 2016, steps initiated by the government to implement demonetization policy and its overall impact on Indian economy.

Keywords: *Demonetization, Black money, Fake currency, Digital India, Remonetization, Economy, Working population*

1. Introduction

The term demonetization refers to the act of stripping a currency unit of its status as legal tender. In simple terms you can say that when demonetization of a currency occurs, the currency loses its face value and is no longer of the status to be used as legal money for any kind of transaction. Demonetization is often considered as a drastic intervention in the countries economy as it involves removing the legal tender status of the currency and can affect the day-to-day business activities in the economy. If demonetization goes wrong, it can cause a chaos or serious downturn in an economy.

The chance of this happening is even more when demonetization is announced suddenly without any warning. The process that is opposite to demonetization is called remonetization which refers to the act of restoring a payment form as a legal tender.

Demonetization is often believed to bring stability to a countries currency and used as a tool to fight inflation, facilitate trade, and give the economy a better access to the markets which will allow it to push informal economic activities in to becoming more transparent and get them away from black and gray markets. Demonetization has occurred in India four times, in 1946, 2016 and current 2023

2. Demonetization in 1946

The first demonetization in British. India was carried out on January 12, 1946. To bring to realization the first demonetization that the country witnessed an ordinance was promulgated by the government on January 12, 1946.

According to a report in the history of the reserve bank of India. The RBI authorities were not enthusiastic about the move. It appears that in spite of the opposition by C.D.Deshmukh.

Then the governor of the RBI, the government went ahead with the move and issued an ordinance on January 12, 1946. The ordinary demonetized currency notes of RS 500, RS. 1000 and RS 10000 which were in circulation primarily to check the unaccounted hoarding of money, with a directive that they could be exchange for reissued bank notes within ten days.

By the end of 1947, out of a total of RS 143.97 crore of high demonetization notes, notes of the value of RS. 134.9 crore had been exchanged. Thus notes worth RS. 9.07 crore went out of circulation or not exchanged.

3. Demonetization in 1978

The second demonetization was carried out in the year 1978, in pursuance of the recommendation of the wanchoo committee appointed by the central government. The government resorted to demonetization of bank notes of demonetization RS.1000, RS.5000 and RS. 10000 notes on January 16 1978, under the high denomination bank notes ordinance, 1978 and people were allowed three days time to be exchange their notes.

The stated objective of such a measure was to nullify black money supposedly held in high denomination currency notes. According to the history of the RBI, I.G.Patel the then RBI governor was not in favour of the demonetization scheme of 1978.

However, in spite of the opposition of the governor of the RBI, The government went ahead with the demonetization scheme and issued an ordinance in the early hours of January 16, 1978 and the news

During this demonetization out of a value of RS 146 crore demonetized notes. Currency notes of value of RS. 124.45 crore

4. Demonetization in 2016

On November 8, 2016, the central government in exercise of the power's conferred by section 26 (2) of the RBI Act, notified that the specified bank notes (SBNs) shall cease to be legal tender with effect from November 9, 2016, The SBNs were bank notes of denominations of the existing series of the value of RS 500 and RS 1000

On December 30, 2016, the specified bank notes (cessation of liabilities) ordinance ,2016 was promulgated by the president of India. Subsequently the parliament enacted the specified bank notes Act 2017, which received the assent of the then president of India on February 27, 2017.

15.28 lakh crore returned to the banking system. Also, a new series of bank notes of RS 2000 was released by the RBI.

5. Demonetization in 2023

Now, the reserve bank of India (RBI) has again decided to scarp a certain denomination of our currency. On Friday the RBI decided to withdraw RS 2000 bank notes from circulation and asked everyone to exchange them by September 30, 2023. The RBI explained its move saying that the aim of introducing the RS 2000 currency notes has been achieved as it was introduced in November 2016 primarily with the objective to meet the currency requirement of the economy in an expeditious manner.

6. Objectives

- 1.To curb the circulation of fake currency in the economy.
- 2.To tackle corruption due to currency upholds.
- 3.To make idle money productive and help in reducing corruption crime.
- 4.To promote a cashless society and bring transparency to financial transactions.
- 5.To fight inflation

6.To reduce tax evasion

7. Demonetization effect on people

Due to the demonetization many people lost their life either because of standing in long queues or denial by hospitals to give treatment in exchange of old currency notes which led to death of many people.

Small business faced the major loss and people also had to skip their work in order to withdraw money from ATMs by standing in serpentine queues. There was poor coordination between the banks and the government.

The frequent changes of the policy gave the idea about the lack in preparation of the government for such change. This off-guard step was greatly criticized by the opposition where many rally were taken out in protest of such change.

Families which were having marriage ceremony were greatly affected as they had withdrawn cash which were mostly in the currency notes of RS. 500 and RS. 1000.

8. Conclusion

Demonetization is not new to the world, government around the world have been taking demonetization decision from time to time.

However, the currency that was demonetized may vary but largely the objective is inflation, combating black money curbing illegal activities, getting fake currency out of the economy unaccounted money under the scrutiny of tax agencies

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