

# IMPACT OF DEMONETIZATION ON VARIOUS SECTORS OF INDIA

\*Rajinder Kumar Gupta,

Assistant Professor,

R. K. Arya College, Nawanshahr.

Ph. 9463630004, 9815585028

guptasforever@gmail.com

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## Abstract

Demonetization is one of the important tools used by the government of India to tackle the obstacle mainly named as black money as well as the other motive as to increase the impact of plastic money and E commerce transaction within the business and for other activities. Indian economy is one of the fastest growing economies in the world and the policies and norms being stepped up by the government held quite responsible for the any drastic change in the growth of economy. Small scale industries act as the backbone Nation. The economic development of the Nation widely depends upon the status of this Small scale Unit.

**Keywords:** Demonetization, impact, sector

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## Introduction

In order to contain the rising incidence of fake notes and black money, the scheme to withdraw legal tender character of the old Bank Notes in the denominations of 500 and 1000 *was introduced.*” Demonetization is not a new concept in the past also it has been utilized by various countries as well as India to curb currency some failed very badly with this move. Zimbabwe, Fiji, Singapore and Philippines were other countries to have opted for currency demonetization. The demonetisation exercise therefore had two objectives:

- Check black money
- Fake currency notes.

Of the two objectives, demonetisation has met the objective of restricting the incidence fake currency notes. At a single stroke, fake notes of Rs 500 and Rs 1,000 denomination were put

out of circulation. The demonetization exercise therefore aimed to target about 92% of fake currency in circulation and would have succeeded.

The other objective was to reduce the incidence of black money. First, let us take a look at the government's view on black money in the economy. On 16th December, finance minister Arun Jaitley told the Lok Sabha: —There is no official estimation of the amount of black money either *before or after the government's decision of 8th November 2016* declaring bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees shall cease to be legal tender with effect from 9th November 2016.”

## **IMPACT OF DEMONETIZATION ON VARIOUS SECTORS**

### **Real-Estate**

Post demonetization, there has been an increased transparency in the purchase and payment system of property. The paper or market value of most properties in India until recently was very less as compared to the cash or ‘black’ value. Since cash transactions were unregulated and unrecorded, it was almost impossible for the government to levy taxes on them. Real estate had become a heaven for people to park their unaccounted cash.

### **Agriculture**

There are two types of impacts of Demonetization on Indian Agricultural Sector:-

- **Short Term Impact-** As cash is the primary mode of transaction in agriculture sector, demonetisation is bound to cause temporary stress in the system. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.

In the transitional phase, farm produces with limited shelf-life like fruits and vegetables, which significantly contribute to overall farm output, will be hit due to cashlessness. Similarly, payment of wages to farm laborers and rentals for farm

implements will too become difficult considering the limited access of service providers to the banking system. So basically the Indian Agriculture Sector has to go through rough time with the announcement of Demonetization in the country.

- **Long Term Impact-**As for the long term Impact of demonetization, this move has the potential of bringing about transformational changes in the sector like better access to credit for farmers, elimination of middlemen, which is one of the major causes of poor condition of Indian farmers as their profit is immensely reduced due to the commission of the middlemen, direct transfer of subsidies to farmers and ultimately linking the Indian farmer to the global agricultural market. If the Indian farmers are linked to the global market it could generate a great amount of revenues for the country.

### **E commerce**

83 % of consumers in India settle for COD option. As a result of demonetization, it had a detrimental effect on the number of orders placed online as most consumers did not wish to settle for online transaction. Credit and debit cards are the existing options for online payments; but the additional option to patch this void would be the online wallet service: for example: the amazon pay balance usage for purchase. This option made the consumers feel much more comfortable during online transactions. One good impact of demonetization was the increase in the usage of cashless transactions via credit and debit cards rather than being tied up in unending queues at the ATM. Even something as simple as purchase of vegetables from a vendor began to be done via mobile wallets such as PayTm- with cashless money transfer. Vendors as well as public transport workers settled for online payments due to the ban on notes.

### **Tourism**

The travel and hospitality industries are facing tough time. Many foreign trips which sponsored by big brands largely done through cash transactions are negatively affecting tourism industry and revenues. India's hospitality industry has been severely affected as the hotels have lost a large number of pay-in- cash-only clientele due to demonetization. Around 60 to 70 percent drop in hotel bookings has been reported.

## **Conclusion**

Demonetization is very unique step taken by the government of India, earlier this step is taken by few of countries when there is a down fall in economy but this is the first time when this step is taken by the country when the economy is stable. In this paper, the impact of demonetization has been discussed on various sectors. It has been found that Demonetization limits the short term growth of various industries whereas if we talk about long term growth of industries, it is very encouraging step.

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