INDIA DEMONETIZED CURRENCY NOTES AN OVERVIEW
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Abstract

It this paper I have focused on present scenario of impact on demonetization and its impact on various sectors of financial and Indian economic systems. The argument is not in favor or oppose of demonetization is that the cash that would be extinguished would be “black money”. Therefore, I have discussed on so many burning topic such as RBIs Repo rate cut, impact of demonetization on various sectors, gross domestic product and consumer price index, etc.

Keywords: demonetization, repo rate, black money, GDP, and CPI.

Introduction

India’s prime minister, Sri Narendra Modi has declared in an address to the nation on 08 November 2016, about the denomination currency notes. The main motive behind it was removing the black money in the Indian financial system. Black money is one of the biggest causes of holding back the economy.

RBI’s Annual Report for April 2015 to March 2016, the value of the currency notes at the end of March 2016 was 16.42 trillion of Indian rupees. The 500 rupee and 1,000 rupee currency notes formed 86.4% of the value. March 2016, 632,926 currency notes were counterfeit—known as an FICN (Fake Indian Currency Note). As a proportion of NIC (Notes in Circulation), the 1,000 rupee and 500 rupee
notes were the highest. Nullifying these FICNs was also part of the demonetization move. The government removed 86.4% of the currency in circulation by value. In terms of volume, the currency notes of these two denominations formed 24.4% of a total 90.27 billion pieces.

- Reserve Bank of India

**DEMONETIZATION IMPACT THE INDIAN ECONOMY**

The sudden decision has made so many moves it was expected to Override or Trample, the consumption activity in the Indian economy to a virtual destination. The service sector, which dominates economic activity and involves a sizable fragment of cash transactions, which was likely, be hit the hardest. The Indian economy remained solid in the quarter of April to June 2016 (according to latest available data). The first quarter of fiscal 2016–2017, during that period, the GDP (gross domestic product) rose 7.1%, while the GVA (gross value added) rose 7.3%. The fall in economic activity due to demonetization could last from two to three quarters. As a result, GDP and GVA growth in the quarters from September to December 2016 and January to March 2017 could be significantly lower than previous years. The Indian economy can grow considerably after bridle the debilitation caused by counterfeit money and an increase in economic activity.
The RBI (Reserve Bank of India) considers the CPI (consumer price index) as its primary breadth of measuring inflation. CPI has growth targets follow to while deciding its monetary policy situation. By January 2016, it was supposed to keep inflation below a target of 6%, which it was able to do. Its next target is to keep inflation at or below the 5% mark by March 2017.

IMPACT OF DEMONETIZATION ON VARIOUS SECTORS
The demonetization is expected to have a negative impact on inflation. Consumers are omitting from making any purchases except essential items from the consumer raw produce, healthcare, and energy items. Real estate activity includes a huge amount of cash and without record transactions, it would be slowed down rapidly, Metropolitan cities provide information that up to 30% fall in house prices. Food items would be effected and make inflation, measured by changes in the Consumer Food Price Index, accounts for 47.3% of the overall CPI. Due to 86.4% of the value of the currency demonetization the supply and demand of food items would be Rind. Money investor in India-focused on funds should continue to monitor CPI inflation. It will determine future rate cuts by the RBI.
The repo rate is the key monetary policy rate for the RBI. A change in the repo rate have been expected but having no change by RBI and its impact on industries like financials, automobiles and tech sectors are despair. In the last year policy meeting on October 4, the RBI’s (Reserve Bank of India) Monetary Policy Committee reduced the country’s repo rate by 25 basis points on October 4, 2016. The rate reduced 6.3% from the said date. The October meeting marked the second rate cut in 2016. The combined quantum of the cuts for the year stands at 50 basis points.

Conclusions
The demonetization was taken by Indian Prime Minister Sri Narendra Modi wich was basically for control on corruption and black money and it’s a good decision from Indian PM but there are so many problems was arisen and faced by Indian people it’s good for a civilized country and developing country. Indian PM launched so many policies such as Jan Dhan Yojna and Sabka Sath Sabka Vikas but it would be happed with willingness and developing thought. Government is a large shock to the economy. The impact of the various economic functions of how much of the currency will be replaced at the end of the replacement process and the extent to which currency in circulation is extinguished. While it has been argued that the cash that would be extinguished would be “black money” and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy, this argument is based on impressions rather than on facts. While large part of public deposits were a small trader deposits 2 lakh Rupees in the Jan Dhan account since the currency in which he held these balances in for transactional purposes has been scrapped, it would be incorrect to interpret this as success of the programme in bringing in people who were hiding black money.
References:

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