



## DEMONETISATION AND ITS IMPACT ON SOCIAL DEVELOPMENT

### KEYWORDS

Demonetisation, health sector, educational sector

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**ABSTRACT** *The last few days Indians evinced a sleepless days with the announcement of demonetisation by our Prime Minister Shri. Narendra Modi. The concept of demonitisation has created limelight, an uproar and "hue and cry" among the public in the last few days. All media are glaring its attention on demonetization in a mixed reception either as a demonistic attitude or as an angelistic attitude through flash news or group discussion and are dealing it with as a serious issue. As the nature of law says the old has to be replaced by new similarly is this demonetisation. This stance has set an example in the world wherein world leaders, social policy makers, economists, Political Scientists and common men discussing it in their own intellectual and emotional terminologies. Thus, this paper makes an attempt to understand the impact of Demonetisation in Sociological interpretation.*

### Introduction:

The concept of demonitisation has created limelight, an uproar and "hue and cry" among the public in the last few days. All media are glaring its attention on demonetization in a mixed reception either as a demonistic attitude or as an angelistic attitude through flash news or group discussion and are dealing it with as a serious issue. As the nature of law says the old has to be replaced by new similarly is this demonetisation.

On November 8th 2016, the Prime Minister of India by convincing that there would be a few days of hardship in our economy and announced that Rs 500 and Rs 1000 currency notes would no longer be recognized legally as a currency. The sudden move of the government to demonetize Rs 500 and Rs 1000 currency notes and replace with new Rs. 500 and Rs.2000 notes seemed to be a surprising and curiosity filled thoughts among the citizens. There was a sort of surgical strike through anesthesia in the society for curbing various socio-economic crises. The two notes is said to account for 86% of the cash transactions and by demonetizing the amount it indeed has an effect on our market economy. Demonetisation will give a temporary brake on transactions there will be numbness and can create some hurdles for routine activities but the effect will be for a short span of time and recovery from these effect would be much better than the past.

The government swift action for demonetization was to tackle various issues like combating corruption, counterfeiting, stopping of fake currency, tax cheating and elimination of black money. This also hoped in tackling terrorism which was national security concern. Further it is a process of shifting from cash economy to cashless economy through digitalization of economic process. So the digitalization has not only paved its way in administration but also in our day to day activities also paper economy will be converted to digital economy.

### Meaning of demonetisation:

Demonetisation is the process of removing the currency from general usage or circulation. In Indian context it can be said as withdrawing of the currency by Reserve Bank of India as official mode of payment. This means the said amount of currency will have no value and will be just a piece of coloured paper.

Demonetization, as explained by Investopedia, is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency

unit.

The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

### Instances of demonetisation priorly:

Demonetisation is a radical monetary step in which a currency unit's status as a legal tender is declared invalid. This is usually done whenever there is a change of national currency, replacing the old unit with a new one. Such a step, for example, was taken when the European Monetary Union nations decided to adopt Euro as their currency. However, the old currencies were allowed to convert into Euros for a period of time in order to ensure a smooth transition through demonetisation. Zimbabwe, Fiji, Singapore and Philippines were other countries to have opted for currency demonetisation.

Demonetisation is not a novel concept in India as it was done twice before. It was in 1934 that high denomination currency was first introduced in India. After only four years of Rs500 and Rs1000 in circulation, the RBI in an ambitious move introduced Rs10,000 notes in 1938. This was the highest denomination ever printed in India till date. The first currency ban occurred in January 1946 when the government withdrew Rs. 500, Rs 1000 and Rs 10,000 from circulation and the reason for demonetizing was to curb black money. This did not create any sensational news as to the Indian population as such a large sum of money was not accessible to most and only the then rich people who formed a small portion were affected. Rs1000 and Rs10,000 were, however, reintroduced in 1954 and Rs 5000 was introduced for the first time.

The second time demonetisation occurred in 1978 on Rs. 1000, Rs.5000 and Rs.10,000 was demonetized by the Janata dal government under the leadership of the then Prime Minister Shri. Moraji Desai based High Denomination Bank Note (Demonetisation) Act during this time demonetisation was termed as "An Act to provide in the public interest for the demonetization of certain high denomination bank notes and for matters connected therewith or incidental thereto". However, this was not strictly implemented due to lack of cooperation from many authorities and people.

Thus this may not have been the first the country has seen, but it is definitely the first time demonetisation has caused a massive discussion in the society. All irrespective of education, caste, gender, occupation, income, those residing in rural or urban areas are effected. While the previous demonetisation acts affected only the

privileged few, Modi's currency ban, in contrast, has affected the common man to the rich. Black money hoarders and people with illegal financial commitments on the other hand, are feeling the pressure of demonetisation. However, the role that this currency ban will play in the future of corruption control is yet to be seen.

#### **Demonetisation and its impact on Social development:**

India's present experience of demonetization has revealed the austere digital financial divide of the nation. Millions of people are crowding the banks and queuing outside ATM centers to deposit their cash before the deadline, revealing that India has a long way to go before it fully transitions into a digital financial economy. In spite of expanded digital access to bank accounts, a very small percentage of the population has been able to operate without withdrawing cash or visiting the bank regularly. This is in part due to lower levels of digital financial literacy. Thus, this makes people to learn the banking mechanisms which not only boosts banking sector but also there can be growth of more literates.

One of the biggest benefit is that demonetisation will drastically effect the corrupt practices. Smuggling, bribes, encouraging terrorism or naxalism will come to a standstill. People having black money will be in a fix as they cannot exchange a huge amount and even if they do so the chances of getting noticed and penalized will be more. Government jobs especially the Class-I and Class-II jobs were based more on economic influence, political influence rather than on merit. Now youth can dream and access government jobs based on their merit.

This stance may bring a lot of changes among the Indians. The first thing is that people would rather invest rather than keep the cash at home and further this motivates people to do transaction through digital rather cash. Henceforth, we can find a transformation from cash economy to digital economy.

Cash is the primary mode of transaction in agriculture from sowing the seed to harvesting to marketing and keeping the produce in warehouses. Indian agriculture which is tagged as gambling with monsoons made farmers unsure about their profits in their produce. Besides many of the farmers low literacy rate added salt to their pain. From producers to consumers the middle men were becoming rich and neither the farmers were benefitted nor the consumers. Now demonetisation will curtail all these issues. Farmers can directly sell their products and get the actual price as there will be a cessation of cash economy. Though private lenders influence has been reduced in recent years with role of cooperative societies and banks playing a major role. So charging of exorbitant interest can be reduced and thereby this can also reduce farmers suicide.

Banking which was away from the underprivileged will make them to come to the main streamline as they also need to depend upon banking. There will be wide openings especially in banking sector as to meet the demands of the people. Thus, there will be growth of banking economy. For many Micro Financial Institutions demonetisation can be a boon as people in the nearby areas can invest or seek loans and thereby can avoid the private money lenders who gave them loan with exorbitant rates. Now due to demonetisation irrespective of a persons socio-economic status can depend on banking sector and this can even eventually increase our literacy rate as to know banking they need to learn and this may compel people to have access to education. Now along with 3 Rs that is reading, Writing and arithmetic the fourth R will be added transaction through digital economy.

Uptil now money in private education sector flowed like a river. Many educational institutions collected exorbitant fees from the parents in different forms and in different accounts in the name of tuition fee, building fees, library, sports fees, lab fees etc. along with this many schools and professional colleges charged capitation fees which could be paid only by the economically rich people. Thereby this

made many poor people to keep away themselves from professional courses though they had merit. Thus, by demonetisation every rupee will be accountable both by the parents and the management. There will be a break collecting fees in the name of the projects which eventually looted the prospective parents. Thus, through demonetisation the deserving can avail the course of his own choice and will not be barred based on his economic background. No doubt demonetisation can make fortunate enough to give seat for the deserving candidates.

In the present the black money was controlling the real estate business thereby there was whooping growth on business and by demonetisation the land rates will subside. Even the middle class and the poor can have a dream land of their own.

Self employed professionals like doctors, engineers, lawyers, accountants will be severely hit. These are the people who collected unaccountable fees from their clients can have a control over it. Generally these professional were the tax evaders now need to be more cautious while collecting fees. Hospitals fleeced money from their clients' caretakers by suggesting in numerous tests and surgery resulting in poor people restraining themselves to receive treatment at the other end. It was like operation was successful but the patient died which literally means he was succumbed to the economic pressure. With demonetisation since all amount are accountable the care takers can have a big relief.

Thus, demonetisation will boost deposit and savings, improve digital economy from cash economy, poor people can access bank accounts, support government finances, can bring a positive impact on bond market and mutual funds can raise our Gross Domestic Product.

#### **Conclusion:**

However, all is not well with the demonetisation. Right now we can presume that it can be a Midas touch everything turning out to be positive. But the fact is that are really Indians where still 25 % of the people are illiterates and many are ignorant can take it in a positive way. Is it possible for a cart vendor or a petty shop vendor when they do a transactions for double digit rupee to depend upon digital economy, are Indians used for card economy are all to be seen in forthcoming days.

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