

**SGK GOVERNMENT DEGREE COLLEGE
VINUKONDA, PALNADU DISTRICT**

Department of Economics



**DEMONITISATION
DEEKSHARAMBH PROGRAM**

DATE: 24.11.2022

TIME: 3.00pm – 04.30 PM

CONDUCTED BY

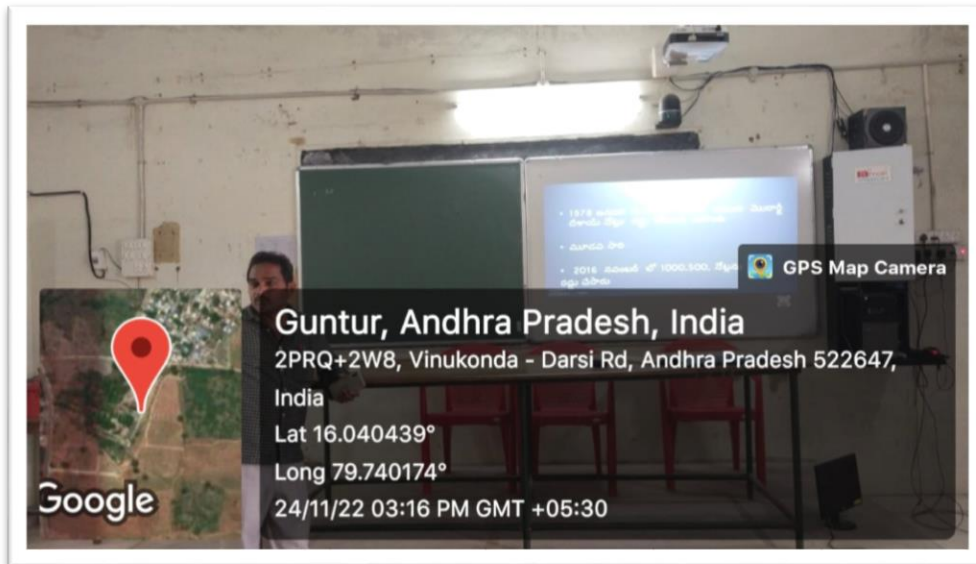
The Department of Economics

Activity Report

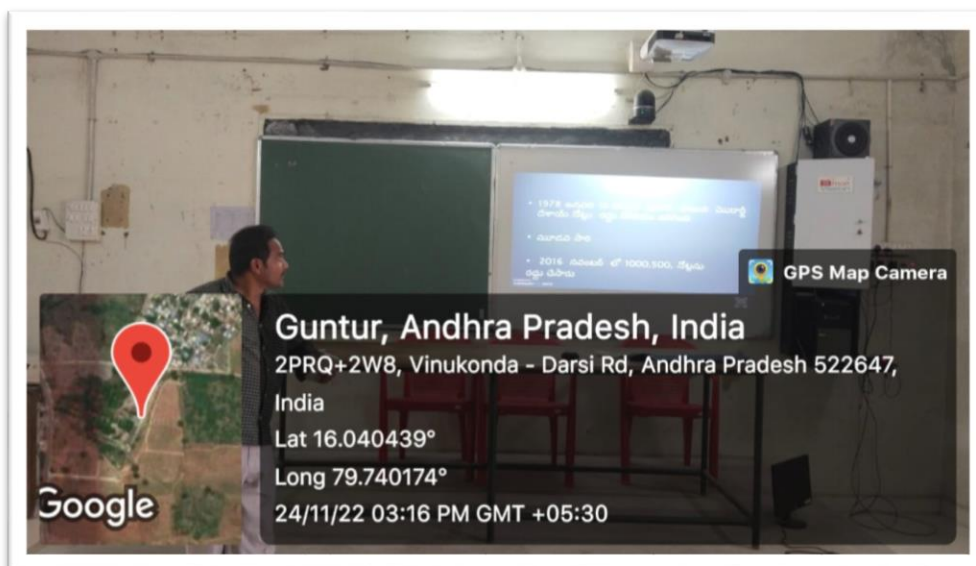
S. No.	Content	Name
1	Name of the Programme	Deeksharambh Programme
2	Date & Time	24.11.2022 3.00pm – 04.30 PM
3	Conducted by	The Department of Economics
4	No. of Students attended	45
5	Chairperson	Sri. S. Srinivasa Rao, Lecturer in English.
6	Chief Guest	?
7	Program Conveners	Sri. S. Srinivasa Rao, Lecturer in English. Sri. G. Anjaiah, Lecturer in Economics

Brief Description: As a part of Deeksharambh an awareness program on demonetisation has been conducted for B. A, B. Com, B.Sc. students by the Department of Economics on 24-11-2022 at 3PM in the seminar hall of our college.

Program is started with introductory speech of Sri.S.Srinivasa Rao Garu, Convener, Deksharambh Program. After that Sri Anjaiah, Lecturer in Economics gave a detailed lecture on Demonetization, its meaning, objectives, features and Pros and Cons of Demonetization Scheme. Later a session is conducted especially for clarification of doubts of raised by the students.



Sri M.Jagadish garu, HOD, Commerce Department, Lecturers Smt.K.Vijaya Kalpana, Lecturer in Commerce, Sri.K.Koteswara Rao, Lecturer in Commerce, have participated in the program, gave valuable suggestions and made it a grand success.



Demonetisation

Demonetization is referred to as the process of stripping a currency unit of its status to be used as a legal tender. In simple words, demonetization is the process by which the demonetized notes cease to be accepted as legal currency for any kind of transaction.

After demonetization is done, the old currency is replaced by a new currency, which may be of the same denomination or may be of a higher denomination.

The impact of changing the legal tender status of a currency unit has a huge impact on the economic transactions that take place in an economy.

Demonetization can cause unrest in an economy or it can help in stabilizing the economy from existing problems. Demonetization is usually taken by a country for various reasons.

Demonetization in India

Demonetization in India has taken place three times till now, namely in the years of 1946, 1978 and 2016. Let us have a look at all the three events.

Demonetization 1946

The first demonetization event happened in 1946, at that time the denominations of Rs.1000 and Rs.10000 were removed from circulation.

There was a visibly low impact of the demonetization as the higher denomination currencies were not available to the common people.

In 1954, these notes were again introduced with an additional denomination of 5000.

Demonetisation in 1978

The second demonetization in India took place in 1978, at that time the Prime Minister was Morarji Desai. During the second demonetization the denominations of 1000, 5000 and 10000 were taken out of circulation.

The whole purpose of demonetization was to reduce the circulation of black money in the country. The announcement was made by Morarji Desai over the radio.

Demonetisation in 2016

The latest demonetization was announced on 8th of November, 2016 by the Prime Minister Narendra Modi.

During this demonetization the notes that were taken out of circulation were the denominations of 500 and 1000.

PM Modi also introduced new currency of denominations 500 and 2000 after demonetization.

Demonetization refers to the act of stripping a currency as legal tender. In demonetization, the current form of money is removed from circulation and retired. Furthermore, the replacement of this form of money occurs with new notes or coins. Sometimes, a nation completely introduces a new currency in place of old currency. Most noteworthy, demonetization is a move in which a government bans the notes or coins of a certain denomination.



Advantages of Demonetization

First of all, demonetization significantly reduces corruption from taking place. It certainly puts a full stop to corrupt practices. Demonetization significantly hampers individuals dealing in black money from carrying out their evil ideas. Most noteworthy, corrupt people in the future will feel scared of hoarding cash.

Demonetization improves the banking system significantly. Demonetization would certainly infuse more sophistication in the banking system. The economy of a nation will move into a cashless direction due to demonetization. Moving in the cashless direction would mean better access to credit and revamping of financial operations.

Another notable advantage of demonetization is reduced liability for the government. This is because demonetization reduces the risk and liability of liquid currency. Furthermore, handling soft money is far easier than handling hard money. Also, every note is a liability for the government. Hence, demonetization reduces this liability by removing certain notes from circulation. Therefore, the old currency becomes useless for those who don't disclose their income.

Demonetization will lead to fewer instances of tax avoidance. This certainly is a massive advantage of demonetization. Money that is deposited will be taken track of by income tax authorities. Therefore, people will hesitate to use tax avoidance tactics. Furthermore, the loan

transaction will also be under scrutiny. Consequently, there would be an increase in the flow of taxes. This would certainly result in government undertaking more public welfare measures.

Challenges in Demonetization

The first challenge is the internet connection and availability. Due to demonetization, many people would go cashless. Therefore, they would resort to E-cash and E-payment. However, in many developing nations, internet connectivity is quite poor. Hence, this forms a major challenge for any government which intends to implement demonetization.

Cash shortage is a natural consequence of demonetization. The scarcity of cash can certainly lead to chaos. This is exactly what took place during the 2016 Indian banknote demonetization. Furthermore, people face various difficulties in depositing or exchanging the demonetized banknotes. Also, the ATM's can run short of cash for many weeks or months.

Rural areas face huge trouble due to demonetization. This is because rural areas and the agricultural sector highly depend upon cash. Furthermore, these people lack the financial literacy to handle the situation. Moreover, most people in such areas are ignorant of computing technology and the cashless economy.

To sum it up, demonetization is certainly a revolutionary step in a country's economic system. It is something that has been practiced by countries from time to time. Furthermore, the objectives for demonetization remain more or less the same the world over. Most noteworthy, the decision to demonetize should come by keeping the national interests at the forefront.



Effects of Demonetization

Demonetization has long term effects on a nation's economy. The people in the rural areas who did not have access to internet and plastic money were majorly affected. Since centuries, governments have been using it as a tool to reduce corruption and other illegal activities. Thus,

Demonetization boosts a nation's economy by removing fake currencies and bringing black money into the mainstream.

Positive Effect of Demonetization on Economy

1. **Break Down of Black Money:** – Black money accumulation impacts a country's economy negatively. Demonetization helps in closing businesses running by black money and destroying the black money savings of the people, thus having a positive impact on its economy.
2. **The decline in Fake Currency Notes:-** A number of fake currency notes circulating in the country have a bad impact on its economy. Hence, Demonetization helps in removing the high-value of fake currency notes.
3. **Increase in Bank Deposits:** - The circulation of the old currency notes is banned and those who have these currency notes should deposit them in the banks so that their money did not get wasted. Hence, cash amounting to trillions of rupees gets deposited in the banks.
4. **Real Estate:** - Real Estate is one industry that runs largely on black money. Demonetization stops the flow of black money in the real estate sector to ensure a fair play.
5. **Increase in Digital Transactions:** - The cash crunch in the market encourages people to make digital transactions. Almost everywhere in the country machines get installed to accept debit/ credit card payments. Over time people start using plastic money. This is a great way to track tax evasions.
6. **Cutting Monetary Support for Terrorist Activities:** - Anti-nationals support terrorist activities in the country by providing monetary support to the terrorist groups. This money is used to purchase arms and plan terrorist activities in different parts of the country. Demonetization helps in cutting down on the monetary support provided to the terrorist groups to a large extent. It thus promotes peace and helps the country prosper at various levels.

Negative Impact of Demonetization on Indian Economy

Most of the positive impacts of demonetization are long term. We may begin to see the country's economic growth after demonetization in a few years from now. However, the negative impact of demonetization on the Indian economy has been tremendous.

Many of cash-driven small industries are left starving. Many manufacturing industries suffered huge losses thereby impacting the economy of the country negatively. Also, many factories and shops had to be shut down. This did not only impact the businesses but also their workers. Thus, several people, especially the laborers, lost their jobs.

There is a shortage of cash as old money is exchanged with the banks. The government was blamed for poor planning and management. Indian National League also filed a Public Interest Litigation (PIL), in Madras High court, requesting to scrap the demonetization decision. However, the Court refused to intervene in the government's monetary decision.

Conclusion

Since the past century governments across the world were taking the decisions of demonetization. Though the currency which was demonetized may differ, the objectives largely have remained the same means to remove black money, stop illegal activities, and bring currency into the mainstream. The decision of demonetization was taken by keeping the national interests in priority. Though the decision might have caused inconvenience to the general population, it definitely had the national interest and economic growth at its core.
