



## A QUALITATIVE STUDY OF THE IMPACT OF NOVEMBER, 2016 DEMONETIZATION ON VARIOUS INDUSTRIES AND ECONOMIC ACTIVITIES IN INDIA

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### Abstract:

The present research paper deals with the impact of demonetization on different sector in India. There are so many researchers who have contributed to this issue. In this study a collective content analysis is done in the context of demonetization. Despite of several efforts the cash is still considered as major medium of economic transaction in India. A report published in Business Today in 08 October 2019 shows that in modern India cash continue to serve an essential role in facilitating economic activities. In this paper researcher has tried to study to develop key issues and impact area of demonetization which include SME's, small export units, informal sectors, Banking, street vendors and rural India.

**Keywords:** Demonetization, SME's, Exports.

### Introduction

Demonetization is the way toward stripping down a cash of its status as a legitimate delicate (a lawful delicate is whatever is perceived by the law of a nation as a way to settle public, or private, obligation; or to meet any monetary commitment). In doing as such, the current type of cash is eliminated from dissemination, and is resigned; normally, another money replaces it.

On November 8, 2016, drove by PM Narendra Modi, the public authority of India declared the withdrawal of 1000-and 500-rupee notes from flow. The public authority additionally declared the issuance of new 500-and 2000-rupee notes in return for the demonetized notes.

Even following four years, the effect of demonetization can be seen in different portions of the economy. This article gives knowledge into the positives and negatives of demonetization in India, alongside a short history of this cycle. As a financial applicant, you ought to have an away from of this point. You might be gotten some information about your assessment on it during the meeting round.

While the 2016 demonetization was the largest one of its kind in India, but it was not the first. Let us take a look at the history of demonetization in India:

- In 1946, the Reserve Bank of India demonetized 1000- and 10000-rupee notes, as these were under-circulated at that time.
- In 1978, under PM Morarji Desai, the government demonetized 1000-, 5000-, and 10000-rupee notes in order to curb the menace of black money.

The public authority of India set forth numerous goals of demonetization. Some of them are:

1. To control the danger of dark cash/shadow economy.
2. To lessen money flow and tackle debasement.
3. To counter the risks of fake money
4. To advance credit only exchanges, to expand straight forwardness in monetary exchanges
5. To forestall dread financing, which blossoms with a money economy?

An analysis of the impact of demonetization - published by renowned economists in a working paper brought out by a US institution National Bureau of Economic Research (NBER)<sup>3</sup>- shows that in modern India cash continues to serve an essential role in facilitating economic activities.

Due to the same reason, the study estimates that the decline in cash lowered the growth rate of the economic activity by at least 2 percentage points in the quarter when the demonetization of large-value currency notes happened in November 2016. Former Prime Minister Manmohan Singh had also arrived at a similar conclusion when he said that the Indian GDP might take a hit of 2 percentage points due to demonetization.

<sup>3</sup> New study on demonetisation explains why cash is still king in India ([businessstoday.in](http://businessstoday.in)) Last accessed on 24 dec 2020



The authors of the NBER paper - Gabriel Chodorow-Reich, Gita Gopinath, Prachi Mishra, and Abhinav Narayanan - estimated the impact on the economy by looking at the decline in nightlights-based economic activity during this period and demonetization's cross-sectional effects on employment over districts.

This led to an intense need to study the actual impact of demonetization on various areas of Indian economy. The researcher has defined the problem statement as, "A qualitative study of the impact of November, 2016 demonetization on various industries and economic activities in India"

### Objective of present study

The present study has following objectives:

1. Synchronize the studies related with the impact of Demonetization in India
2. To do a content evaluation of literature related with Demonetization in India
3. The find the key impact area of Demonetization in India
4. The study the consequences of Demonetization in India

### Research Methodology

The researcher has used qualitative content analysis approach in present research. Content examination is an exploration device used to decide the presence of specific words, subjects, or ideas inside some given subjective information (for example text). Utilizing content examination, specialists can measure and dissect the presence, implications and connections of such certain words, topics, or ideas. For instance, specialists can assess language utilized inside a news story to look for predisposition or prejudice. Scientists would then be able to make surmising's about the messages inside the writings, the writer(s), the crowd, and even the way of life and season of encompassing the content.

Content analysis is a research method that has been used increasingly in social and health research, including quality of life and well-being. Content analysis has been generally defined as a systematic technique for compressing many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 1980; Weber, 1990). Historically, content analysis was defined as "the objective, systematic and quantitative description of the manifest content of communication" (Berelson, 1952, p. 18).

### Impact of Demonetization on different sectors

- 1- Impact of Demonetization on street vendor
- 2- Impact of Demonetization on Manufacturing Sector
- 3- Impact of Demonetization on Real Estate
- 4- Impact of Demonetization on Agricultural Sector
- 5- Impact of Demonetization on Export in India
- 6- Impact of Demonetization in India on Aviation

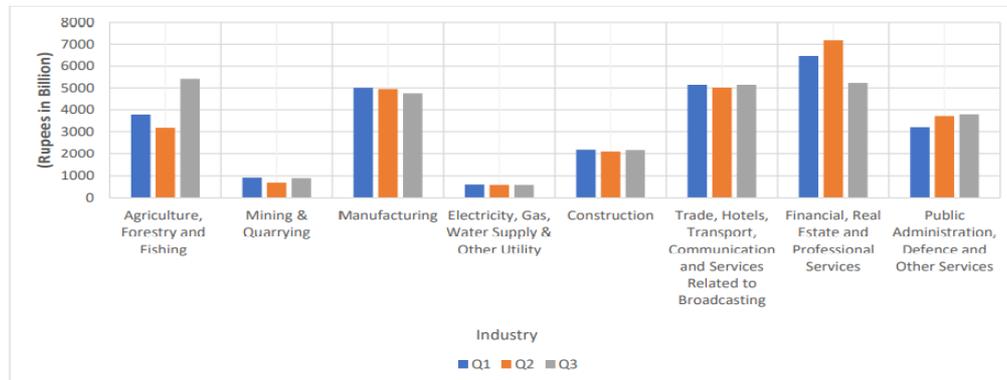
#### 1. Impact of Demonetization on street vendors

Street vending is often neglected and not even considered as significant business unit Gautam Jaiswal (2019) has considered the street vending as a vital business unit. He found that much more can be done to enhance this sector. The has evaluated the business aspects of street vending. The segment was mostly hit by demonetization. The street vending remained always a key user of cash transactions. The amount in these transactions was small enough that it could not go through banking system, but demonetization has affected this also. The statistical figures of revenue loss are difficult to measure in this sector as the business do not have any published financial statements. But the operational changes are very much visible. Now a day these sellers can be easily seen with QR based payment medium.

#### 2. Impact of Demonetization on Manufacturing Sector

Rakesh Jangid (2018) has studies three impact areas in his study. He focused upon manufacturing sector, real estate, agricultural and forestry.

QUARTERLY ESTIMATES OF GROSS VALUE ADDED AT BASIC PRICE IN 2016 (Base: 2011-12)



Note: Q1, Q2, Q3 & Q4 denote - April to June, July to September, October to December and January to March quarters, respectively.  
Source: Central Statistics Office (CSO).

Figure 1: Analysis of Demonetization by Sectoral Data Trends

Manufacturing sector histograms in the above arrangement of charts shows that manufacturing sector has descended in the Q3. It is including the proper sector just, that is the reason it is just a little dump. Else, it might have been a huge dump as a result of a tremendous impact on the casual sector in manufacturing industry. At the hour of demonetization, everybody was getting little measure of money that was simply acceptable to make the day-by-day costs of an individual and his/her family. Same was the situation with the individuals that were running many manufacturing firms. They didn't have enough money to pay their managers on regular schedule. The inventory of laborers went down since they were not getting new notes to purchase something by accomplishing the work at firms. A few cases were seen those days of the firm experts giving the businesses the old notes. That absence of the work, lead to less creation in manufacturing sector in Quarter

### 3. Impact of Demonetization on Real Estate

The real estate industry has undergone a significant transformation over the past 2-3 years because of demonetisation, implementation of Real Estate (Regulation and Development) Act (RERA), followed by Goods and Services Tax (GST) in quick succession. Naturally, when such major steps are taken, the impact is felt by for quite some time. However, if we look at the demonetisation process, the industry, on the whole, has not been impacted much. People used to criticise the real estate industry, as the proportion of cash accepted was very high. But, with these major reforms, the sector on the whole, has become more transparent and has revived the faith of buyers in the sector.

In a paper published in Pacific Business Review International, Volume 10 Issue 7, January 2018 (Ajinkya Bhagwat, et al) effect of demonetization real estate has been studied. It has been evaluated with the help of SEM how the demonetization has affected different aspects of real estate business. After analysis it can be noticed that the effect of variables the real estate sector was already in a bad shape and further demonetization pushed the sector to it limits and thus the recovery of the sector has been delayed further by another 18 months.

Implications of study are as follows:

Thus, we can say that the main factors for the impact on real estate are:

1. Temporary correction in inflationary pricing
2. No immediate support from the government for sustainability of the sector
3. not the proper timing, given the situation of the sector.

### 4. Impact of Demonetization on Agricultural Sector

Sectors in the economy such as Construction, Agriculture, Forestry & Fishing which employ a large number of daily wage workers and have liquidity preference witnessed a decline in growth. Agriculture grew by 2.3% in Q1 of 2017-18 as compared to 2.5% in Q1 of 2016-17, Construction grew at a rate of 2.3% in Q1 of 2017-18 and witnessed a drop of 0.2% since the Q1 of 2016-17.

Manufacturing, which is the most important indicator of economic growth and employment has grown at a very slow rate post demonetisation. It grew by only 1.2% in Q1 of 2017-18 as compared to a massive growth of 10.7% in Q1 of 2016-17.



Quarterly Estimate Of GVA At Basic Prices In Q1 Of 2017-18 (at 2011-12 prices)					
Industry	April - June (Q1)				
	(Crore) Gross Value Added for Q1			% Change Over Previous Year Q1	
	2015-16	2016-17	2017-18	2016-17	2017-18
Agriculture, forestry, & fishing	371468	380833	389732	2.5	2.3
Mining and quarrying	87294	86485	85911	-0.9	-0.7
Manufacturing	458128	507223	513139	10.7	1.2
Electricity, gas, water supply & other utility services	55324	61018	65289	10.3	7
Construction	222464	229321	233919	3.1	2
Trade, hotel, transport, communication & services related to broadcasting	474733	516958	574261	8.9	11.1
Financial, insurance, real estate & professional services	594754	650607	692522	9.4	6.4
Public administration, defense & other services	293784	318963	349356	8.6	9.5
<b>Total</b>	<b>2557040</b>	<b>2751407</b>	<b>2804138</b>	<b>7.6</b>	<b>5.6</b>

Figure 2: Industry wise performance pre- demonetization and post-demonetization

Demonetization has been commended just as censured on different grounds. There has been a great deal of resistance with respect to the execution of this approach. In the short run, there have been issues identified with liquidity crunch, joblessness, loss of development energy, and a brief end to major monetary exercises. This is obvious from the information given by the RBI.

The drawn-out impacts of Demonetization are yet to be found out. It is normal that it can improve the Indian economy over the long haul by expanding charge consistence, monetary incorporation, subsequently improving the condition of the economy. It can support the GDP by expanding the accessibility of assets for loaning and furthermore by lessening exchange costs if the economy moves to computerized methods of installments.

### 5. Impact of Demonetization on Exports in India

More over all sectors have certain disadvantages by executing demonetisation. Particularly Indian import and trade market assumes essential part in expanding nations monetary development based on forex dealings. This sector reflects misfortune of certainty on business people. Whatever the variances in cash rate it truly viewed by unfamiliar money managers what's more, the principal sway dependent on instalment. While each exporter ought to fulfill their merchant by perfect time shipment in the interest of contenders. To manufacturing an item the maker, need a crude material from providers by instalment here because of money variance there is no fluid income so the providers can't satisfy their maker and the exporter are likewise not ready to follow the customers necessity in abroad. There is delay in perfect time supply of merchandise to their customers in outside nations in huge scope sector it is reasonable yet in miniature and limited scope sectors its prompts drop the request by customers.

The import sector likewise faces certain lopsided characteristics by demonetisation. While our business people are import crude material from different nations and making completed products in India. With money mash there is impermanent fall and at same time creation likewise gets low. Once more, exporters are import wrapped up products from least created nations (LDC) and they further fare to created or non-industrial nations, at the hour of money crunch it is hard to import and fare from India. These are some of things that occur because of cash smash by all the sectors yet this paper principally manages fishery sector. Since roughly 15



million individuals are getting work in fishery sector and its primary concern all the sector has their informed individuals, defend for their life, guaranteed pay and so forth, however the fishery sector doesn't have any defend, confirmation for their pay since part of intermediates including by fixing costs and furthermore there is ceaseless vacillations in cost.

## 6. Impact of Demonetization in India on Aviation

According to Economic times, Indian carriers have announced a drop of 7-10% in generally speaking deals after the declaration of Nov 2016. The homegrown sector is more affected when contrasted with the global sector, due to the past arranging and installments. Yet, the flight business demonstrated a quick flood in the homegrown flyers where there were 95.5 lakh homegrown flyers, during the long stretch of December 2016. The primary explanation being the old money notes could be utilized to purchase carrier tickets. As per Homegrown Air Traffic Report Jan 2017 around 22.45% traveler development was recorded by the homegrown carriers.

Accordingly, we can presume that the demonetization had a insignificant impact on the aviation sector.

## Conclusion

Managerial and economic success is highly dependent upon the active evolution of situation as done by several authors in different context. Jaiswal, Gautam (2019) have even focused the changing advertisement sentiments to predict business success. In such a scenario the present study is very meaningful as it gives a comprehension to the impact of demonetization. Demonetization is a one stage of numerous means in battling defilement, dark promoting, and financing revolt. In any case groundwork for demonetization was trim sided, and its effects were awful on Indian public. On the off chance that 86% of money is taken out, with a small sum accessible, all market exchanges have been executed. The individuals, who were focused on, didn't come on roads, yet, basic society is out from their work puts just as homes. Somebody put an anecdote on social net. For executing ten crocodiles, government siphoned out all water from the lake results slaughtering 10,000 fish in lake yet Crocodiles strolled off on dry sand. With an aim to free the nation of dark cash and uncover charge defaulters and dark cash holders, government has made move to demonetized Rs 500 and Rs 1000 notes. This move will have significant effect on the equal economy yet, abrupt declaration and inability to plan ahead of time has made brief mayhem and distress among the general public. Everyday people are thinking that it's hard to purchase with no cash in pocket, squandering hours in lines which in spite of the fact that could have been kept away from whenever arranged ahead of time.

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