



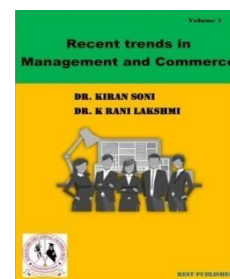
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Analyzing Various Demonetization of Currency in India

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Abstract: Demonetization is the process of removing a monetary unit's legal tender status. Every time the national currency is changed, demonetization is required. A new currency unit must be introduced to replace the previous one. Demonetization was implemented in an effort to combat black money in the nation and eliminate the fabrication of current banknotes that are allegedly used to fund terrorism. Urjit Patel, the governor of the Reserve Bank of India (RBI), issued a press release detailing the process for exchanging the 500- and 1000-rupee notes that are currently in use after the Prime Minister's declaration. In addition to the announcement that these denominations will be Thus, it may be inferred that in addition to upsetting the everyday routines of the average person, there are even more significant repercussions for the economy as a whole. Elections and politics are considered to be financially driven. The same is true for industries like real estate. Furthermore, a lot of business is conducted in cash, especially in rural areas without access to official banking services. Unorganized workers, such as domestic helpers and drivers, are paid in cash, primarily in these denominations, in metropolitan houses. The effects on every aspect of society and the economy cannot yet even begin to be imagined. However, this decision's benefits won't be felt right now. Although formal payment methods like debit and credit cards, net banking, and digital wallets should see an increase, it will take a while before this is felt simply because the middle class and the poor, for whom cash is still the main form of payment, are still less likely to use these products. The government's action is huge in scope and daring in goal. This could be considered Mode's most significant action since becoming prime minister. The implementation and impact have not yet been determined, despite the evident goal.

Keywords: Demonetization, currency notes, RBI, Exchange of Currency

1. INTRODUCTION

India's Prime Minister, Mr. Narendra Modi, has imposed a ban on the use of the Rs. 1000 and Rs. 500 notes as money in an effort to combat corruption. In a surprising move, Prime Minister Modi declared during his special address to the nation that the 500- and 1000-rupee notes will no longer be legal tender as of midnight on November 8, 2016. Modi declared that currency notes worth Rs. 1,000 and Rs. 500 would be nothing more than paper. The Indian Prime Minister's action is a response to the rising amount of black money in our nation. While many people were shocked and perplexed by this statement, others referred to it as the "Surgical Strike on Black Money."

1.1. Why the ban and what it is all about?:

India has noticed a rise in the widespread circulation of bogus higher denomination currency notes. Even when the security feature is not reproduced, the phoney notes are very similar to the real ones to the average person. These fraudulent notes are employed in unlawful and un-American acts. Terrorists employ high-denomination currency notes to stow away black money in our country. Due to the cash-based nature of the Indian economy, the spread of fake currency notes has become problematic. The government has therefore implemented a plan to outlaw Rs. 500 and Rs. 1000 currency notes in order to stem the rise in phoney notes and dirty money. According to this plan, the legal tender status of currency notes with denominations of 500 and 1000 rupees is removed. As a result, the old high denomination notes are no longer valid and cannot be stored as value for use in the future or utilised for any transactions. The RBI offices as well as numerous banks and post offices are now accepting these notes in return for the equivalent amount of cash. People can deposit their old cash in their respective bank accounts until December 30th, 2016. The majority of ATMs around the country will be closed on November 9 and 10, and on November 11 the withdrawal limit will increase to Rs. 3,000.

1.2. Impact of this decision on various sectors:

Although it was a brave move on the part of the government, bankers and economists agree that this ban would undoubtedly have an impact on gold and real estate transactions because these are the two things that most people use to store their black money. Share prices soaring higher will undoubtedly have an influence on the share markets. The stock market's cash-focused sectors are suffering as a result. This may lead to widespread selling, which would drive the indices below their current levels. This decision would also have an effect on election spending, especially in places like Punjab and Uttar Pradesh where substantial sums of money are spent on politics. The value of the rupee will gradually increase over time. Additionally, there

would be less inflation, which would be advantageous to those in the middle and lower classes. Five Times the RBI Has Withdrawn Or Demonetized Indian Currency Notes In The Past: 1946: ₹500, ₹1000, and ₹10,000 notes demonetized RBI governor Chintaman Dwarakanath Deshmukh, the British government decided to demonetize notes of Rs 500 and above denominations, citing World War II and rising black market operations as the reason for the big move. "Following similar action in several foreign countries, including France, Belgium and the U.K The government of India decided on demonetization of high denomination notes, in January 1946," RBI documents reportedly mention. Two ordinances demonetizing the Rs 500, Rs 1000, and Rs 10,000 notes were released on January 12, 1946. According to a Money control report, all banks and government treasuries in British India were required to provide the RBI with a statement of their holdings of banknotes worth Rs 100, Rs 500, Rs 1,000, and Rs 10,000 as of the close of business the day prior under the Bank Notes (Declaration of Holdings) Ordinance, 1946, by 3 p.m. on the same day. With effect from the expiration of January 12, 1946, the High Denomination Bank Notes (Demonetization) Ordinance, the second ordinance, demonetized banknotes with denominations of Rs. 500 and higher. However, eight years later in 1954, all three notes were reintroduced.

1.3. 1978: ₹1,000, ₹5,000 and ₹10,000 notes demonetized:

The Wanchoo Committee, a government-appointed direct tax investigative body chaired by former Chief Justice of India Kailash Wanchoo, proposed demonetizing some notes as a strategy to combat the growth of illicit money in the early 1970s. and corruption. Years later, according to the High Denomination Bank Notes (Demonetization) Ordinance, 1978, the Janata Party government, which was headed by the then-prime minister Morarji Desai, demonetized the Rs 1,000, Rs 5,000, and Rs 10,000 notes on January 16, 1978. According to reports, finance minister HM Patel said the decision was one of several steps the government had taken to halt unlawful transactions and combat anti-social forces in his budget speech on February 28, 1978. I.G. Patel, the governor of the Reserve Bank of India (RBI) at the time, opposed the action. Also, the ₹1,000 banknote was again re-introduced in November 2000, under the government of AtalBihari Vajpayee.

1.4. 2014: Notes issued before 2005 withdrawn:

On January 22, 2014, the RBI said stated beginning on March 31, 2014, it would remove every currency printed before 2005 from circulation. "From April 1, 2014, the public will be required to approach banks for exchanging these notes. Banks will provide an exchange facility for these notes until further communication," the central bank said. As per the report, these notes were withdrawn because the currency printed before 2005 had less security features than banknotes printed after 2005, which they replace. The year of printing was not present on the back side of currency printed prior to 2005, according to the RBI, making it easier for consumers to recognise it.

1.5. 2016: ₹500 & ₹1,000 notes demonetized:

India's Prime Minister Narendra Modi declared on November 8, 2016, that the legal tender status of the Rs. 500 and Rs. 1,000 notes would end. The government and RBI simultaneously announced the introduction of new Rs. 500 and Rs. 2,000 banknotes. Demonetization, according to PM Modi, will lessen the amount of illegal and counterfeit money used to finance crime and terrorism. It would also help in curbing black money; he had said in his televised address to the nation.

1.6. 2023: ₹2,000 notes withdrawn from circulation:

As recently as on May 19th 2023, the RBI declared that, as part of the, the withdrawal of Rs 2,000 notes from circulation 'clean note' policy. The public can deposit or exchange Rs 2,000 notes, which will remain legal tender, at bank branches or designated RBI offices till September 30, 2023. RBI has also said that these notes will remain legal even after Sept 30th 2023. objective To understand the concept of demonetization, to elaborate various demonetizations in India, to discuss why this ban and what it is.

2. METHODOLOGY

Data from a variety of sources, including government reports, statistical databases, and academic publications, are analyzed in this work using a variety of methodologies. Tables, charts, and graphs were used to present the results of the statistical analysis that was done on the data. Agriculture and related industries, industry, and services were the three main sectors examined in the analysis, and the growth rates for each sector were determined for each year over the previous ten years. Through research into the subject's literature and discussions with subject-matter specialists, the elements affecting India's economic relationship were determined. The results were then compiled into a report and presented.

3. CONCLUSION

As you can see, there are much more notes of Rs. 500 and Rs. 1,000 in circulation than any other denomination. Ministry of Statistics and RBI's Programmed Implementation are the sources of the data. Table 3 In other words, at the stroke of midnight, about 80% of India's currency (by value) will be worthless notes. The government has made a great chance to improve the system by removing these notes from circulation overnight. Ambit Research estimates that India's black money economy currently accounts for 20% of its GDP. Along with cash, Indians also keep gold in their vaults, which is worth billions of dollars.

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