

# DEMONETIZATION IN INDIA

## A Researcher Perspective

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# Impact of Demonetisation on Rural Economy

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**Abstract**—*Demonetisation refers to an economic policy where a certain currency unit ceases to be recognised or used as a form of legal tender. It is also an act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form of money is pulled out of circulation and prohibited for its circulation. It is used as a strategy to curb fake currency in circulation or reduce the amount of money circulated in the market and in similar adverse situations. Many people in rural areas depend on cash for their day to day activities. Normally Indian economy highly depends on cash system. The process of demonetisation involves either introducing new notes of the different denominations or completely replacing the old currency with new one. Indian government has declared demonetisation on 8<sup>th</sup> November 2016 to tackle with black money and make India a cashless digital economy. As per the yearly report of RBI of 31<sup>st</sup> March 2016 that total currency notes in circulation was 16.42 crore of old Rs. 500 and 1000 bank notes. As per the report of RBI, the total amount of old notes of value of Rs. 12.44 lac crore has been deposited by the customers till 10.12.16. Some welcomed the move as it was seen for curbing black money but many people suffered by this movement. The supreme sufferers of this move were the rural sector of Indian Economy, where cash less transactions are minimal. This study was carried out to evaluate the impact of demonetisation and cashless digital economy in the rural sector. The paper mainly reviews the secondary data and some observations from interactions with rural people on the issue of demonetisation and its impact have also been mentioned. Demonetisation is one step in fighting corruption at large. The idea of cash less economy must be implemented in a holistic approach and it is the process of anticorruption watchdogs.*

**Keywords:** *Demonetisation, Rural Economy, Cashless, Digital Economy*

## INTRODUCTION

Demonetization is a radical economic reform step in which a currency unit's status as a legal tender is declared invalid. In India's case this move has been taken to curb the menace of black money, fake notes by reducing the amount of cash available in the system. Demonetization was first implemented in India in 1946 when RBI demonetised circulation of Rs. 1000 and Rs. 10000 notes. The Government then introduced higher denomination bank notes in Rs. 1000 Rs. 5000 Rs. 10000 in 1954 before Moraji Desai govt demonetised these notes in 1978. Indian government adopted demonetisation on November 8, 2016. As per the annual report of Reserve Bank of India the total currency notes in circulation were 16.42 lac crores in denomination of old Rs. 500 and Rs. 1000 (MoF, 2017). As per the last official count released