INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A., Google Scholar,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
The American Economic Association's electronic bibliography, EconLit, U.S.A.,
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than **5555 Cities** in **190 countries/territories** are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to the recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ____.**

(e.g. Finance/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for likely publication in one of your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published anywhere in any language fully or partly, nor it is under review for publication elsewhere.

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to inclusion of their names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR	:
Designation/Post*	:
Institution/College/University with full address & Pin Code	:
Residential address with Pin Code	:
Mobile Number (s) with country ISD code	:
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No)	:
Landline Number (s) with country ISD code	:
E-mail Address	:
Alternate E-mail Address	:
Nationality	:

* i.e. Alumnus (Male Alumni), Alumna (Female Alumni), Student, Research Scholar (M. Phil), Research Scholar (Ph. D.), JRF, Research Assistant, Assistant Lecturer, Lecturer, Senior Lecturer, Junior Assistant Professor, Assistant Professor, Senior Assistant Professor, Co-ordinator, Reader, Associate Professor, Professor, Head, Vice-Principal, Dy. Director, Principal, Director, Dean, President, Vice Chancellor, Industry Designation **etc**. ***The qualification of author is not acceptable for the purpose***.

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version is liable to be rejected without any consideration***.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of the mail, except the cases where the author wishes to give any **specific message** w.r.t. to the manuscript.

d) The total size of the file containing the manuscript is expected to be below **1000 KB**.

e) Only the **Abstract will not be considered for review** and the author is required to submit the **complete manuscript** in the first instance.

f) ***The journal gives acknowledgement w.r.t. the receipt of every email within twenty-four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of the manuscript, within two days of its submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except on the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE:** The title of the paper should be typed in **bold letters**, **centered** and **fully capitalised**.

3. **AUTHOR NAME (S) & AFFILIATIONS:** Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.

4. **ACKNOWLEDGMENTS:** Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.

5. **ABSTRACT:** Abstract should be in **fully Italic printing**, ranging between **150** to **300 words**. The abstract must be informative and elucidating the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.

6. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of **five**. These should be arranged in alphabetic order separated by commas and full stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations etc.

7. **JEL CODE:** Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php. However, mentioning of JEL Code is not mandatory.

8. **MANUSCRIPT:** Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.

9. **HEADINGS:** All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

10. **SUB-HEADINGS:** All the sub-headings must be bold-faced, aligned left and fully capitalised.

11. **MAIN TEXT:**

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

The manuscript should preferably be in ***2000 to 5000 WORDS***, But the limits can vary depending on the nature of the manuscript.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self-explained, and the **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. *It should be ensured that the tables/figures are referred to from the main text*.

13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, left aligned with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word may be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.

14. **ACRONYMS:** These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section e.g. Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.

15. **REFERENCES:** The list of all references should be alphabetically arranged. ***The author (s) should mention only the actually utilised references in the preparation of manuscript*** and they may follow Harvard Style of Referencing. **Also check to ensure that everything that you are including in the reference section is duly cited in the paper**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc., in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italic printing. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parenthesis.
- ***Headers, footers, endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders before the references.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

ASSESSMENT OF THE IMPACT OF DEMONETIZATION ON THE INDIAN ECONOMY

DR. BINDYA KOHLI
ASSOCIATE PROFESSOR
SYMBIOSIS SCHOOL OF BANKING & FINANCE
SYMBIOSIS INTERNATIONAL UNIVERSITY
PUNE

MANSHA ANAND
STUDENT
SYMBIOSIS SCHOOL OF BANKING & FINANCE
SYMBIOSIS INTERNATIONAL UNIVERSITY
PUNE

ABSTRACT

In one of the boldest decisions taken by the government in the history of Independent India, it had stripped INR 500 and INR 1000 notes' status as legal tender, with a short four-hour notice on 8th November, 2016. The research paper aims to analyze both the short and long term implications of the decision on macro-economic variables like Gross Domestic Product (GDP), interest rates, foreign exchange, Foreign Direct Investment (FDI) and Foreign Institutional Investors (FII). The study will also focus on the impact of the decision on various sectors, such as FMCG, Manufacturing, Oil and Gas and its implications for the Government, RBI and the banking industry. The researchers would attempt to build a model through which the implementation process can be refined based on the current problems being faced by the citizens at large, thereby focusing on the tools for rolling out the scheme. Based on the assessment, conclusions would be drawn that would throw light on the fact whether such a move would prove to be a success or a failure for the Indian economy. Secondary sources of data (magazines, newspapers, Bloomberg Terminal) will be used to analyse the information available.

KEYWORDS

RBI, de-monetization, economy, impact, macro variables.

INTRODUCTION

Demonetization is the process of stripping a currency of its status as a legal tender. It involves declaring a currency invalid as a medium of exchange. India witnessed its third demonetization initiative through an announcement by the Prime minister, Mr. Narendra Modi on 8th November 2016. It involved the discontinuance of the old Rs 500 and Rs 1000 currency notes and replacing them with new Rs 500 and Rs 2000 currency denominations. The three fold objective of this initiative was to:

1. Curb the menace of corruption. By encouraging the citizens to go cashless, illegal usage of cash can be contained. The cash less transactions provide a big facility to the investigating agencies, that they can check and recheck the transactions and find the wrong/ illegal financial deals. This will bring about an element of transparency in the system and reduce corruption in the economy.
2. Manage black money in the economy and- By putting restrictions on the deposit of the demonetized currency, the government tried to ensure that around one lakh thirty-eight thousand and six hundred crores worth of currency goes out of circulation. Similar initiatives would also be taken to identify non cash assets like gold, silver and real estate.
3. Eliminate the usage of counterfeit currency used to fund terror based activities. A major objective of the demonetization was to stop the usage of counterfeit and fake currency to fund terrorist activities in India. With the old Rs 500 and Rs 1000 denominated currencies going out of the system, it would act as a crackdown on these activities.

Various experts have expressed their views on the prime minister's masterstroke. Mr. Narayan Murthy, founder Infosys stated that, "The dishonest will have to suffer, absolutely that is the right thing." Chanda Kochhar, MD and CEO of ICICI Bank," this move will definitely bring about a whole amount of transition to no cash or low cash kind of transactions (Kumar, 2016)

WORLD EXPERIENCE

Demonetisation is not a new phenomenon. It has been tried and tested world over, witnessing some successes and some failures. The European Union is a classic example of the successful implementation of demonetisation.

EURO

Twelve EU countries introduced their single currency, the euro, on January 1, 2002. The European Central Bank prepared for almost three years with everyone fully knowing about the changeover on a particular day. Printing new notes and minting of new coins had already started in mid-1998. Frontloading banks with new notes and coins started almost three months in advance. By December 31, 2001, banks were already frontloaded with almost two-thirds of the cash needed in the next few weeks. About 96% of coins in value terms were also already in banks. All ATMs were preloaded with new cassettes and were activated at midnight. Most ATMs were designed to provide maximum 10 and 20 euro notes, as it was thought that large denominations would create a change shortage during the changeover. Despite all these preparations, many countries still permitted their legacy currency to remain in circulation for almost two months. The European example shows that how much advance preparation is required if we were looking for the successful and convenient changeover to new currency notes (Sachdeva, 2016)

In 2015, the **Zimbabwean** government demonetized the **Zimbabwean** dollar in order to fight the country's hyperinflation that was recorded at 231,000,000%.

In 1996, **Australia** replaced its paper-based notes with polymer bank notes. The first plastic currency in the country was introduced in 1992 and by 1996 all the banknotes were polymer-based. Since the purpose was to replace paper with plastic and only the material changed, it did not have any side-effects on the economy (December, 2016)

The other countries which have successfully been able to demonetize their currency include Pakistan (2015, 2016), United Kingdom (1971) and Philippines (2015).

FAILURES

While demonetization was successful in some countries, for other economies it was not able to achieve the objectives for which it was initiated. Examples include Ghana (1982), Myanmar (1987), Soviet Union (1991), Zaire (1993) and North Korea (2010) to name a few.

Majority of these countries expected demonetization to curb the menace of black money but instead the governments were faced with stiff opposition from the masses, political turmoil and people lost faith in their respective governments. Hence, the move came to an end (BS Web Team, 2016)

HISTORY OF DEMONETIZATION IN INDIA

India is not unfamiliar with the mechanism of demonetization. In 946, the Government of India phased out the Rs 10,000 notes. These were again brought into circulation in 1954 but demonetized in 1978. The other denominations which met with the same fate in 1978 were Rs 1000 and 5000. The Rs 1,000 note made a comeback in November 2000. Rs 500 note came into circulation in October 1987. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation [5].

OBJECTIVES OF THE STUDY

1. To study the impact of demonetization on the various macroeconomic variables
2. To study the impact of demonetization on various sectors of the economy.
3. To suggest measures for effective implementation of the demonetization initiative.

ANALYSIS

OBJECTIVE-1 IMPACT OF DEMONETIZATION ON MACROECONOMIC VARIABLES

1. GDP

On 6h January, 2017, the Indian Central Statistics Office released the numbers of the advance estimates of GDP growth rate for the ongoing fiscal year. The estimates stood lower by 0.5% at 7.1% as compared the earlier estimates of 7.6%.

Although, the estimates have reduced by only half a percentage, the effects of demonetization might dent the GDP growth by over 1.5%. This argument originates from the fact that the numbers released are based on the data captured till October 2016, which is prior to the demonetization policy being announced.

The advance estimates however, can be used as a benchmark against the actuals to be published during the budget session. Upon comparison, the quantitative impact of the policy on the overall economic growth can be inferred.

Even though it is necessary to assess the possible effects of the proposed policy on the GDP estimates, it might be a challenging task to accomplish. Although, it is quiet premature to estimate the quantum of effects that the demonetization policy has caused, however, accompanied with global slow-down and subdued demand it has further impacted the demand trend negatively which might take the GDP growth southwards for the year.

There are a multitude of things that would get affected in the entire shift. There is an evident continuous flow of money into bank accounts which has ultimately led banks to lower the interest rates. With the existing deposit rates and the lending rates slashed, banks might face immense pressure to generate appropriate Net Interest Income which might lead to a subdued profit and growth figure. Although, the lower interest rates on borrowings might push the credit growth, the likely impact on the overall profit and loss account seems to remain under pressure. On the other hand, the budget deficit is expected to go down as the government will acquire tax revenues which will ultimately reduce inflation (Inflation reduction also have to be supported by an accommodative monetary policy stance). The GDP is also largely affected by the money supply in the economy. The effects of all these factors shall also be taken into consideration but it seems like a challenging task for the economy to pick up in a period of 2-3 quarters.

2. MONEY SUPPLY

There are 4 measures of money supply in India denoted by M1, M2, M3 and M4. Comparing the two extreme connotations, i.e., M1, which is known as the narrow money and M4, which is known as the broad money, narrow money comprises of cash and demand deposits, while M4 is M1 multiplied by the velocity of money and the actions of the banking system.

The velocity of money existing in the formal economy can be gauged with certainty, but the velocity of money existing in the informal sector is difficult to predict. It can be both more or less than that existing in the formal economy. If we work on the assumption that black money hoarders churn it as quickly as possible to make maximum possible gains, then the velocity would be high. While on the other hand, if we assume that people hoard money and keep hold of it for longer periods of time, then the velocity would be less.

Accordingly, the money supply can increase as well as decrease. If the velocity of money in the informal sector is lower, it would lead to a flow of money into the formal banking channels thus, having a stimulatory effect and increasing the money supply. While on the other hand, if it is higher, the demonetization policy will significantly reduce the monetary base having a contractionary effect. Thus, it is difficult to predict the overall direction with certainty.

3. INTEREST RATES

According to estimates released on 5th January, 2017, approximately INR 15 lakh crore has already been injected into the banking system since 8th November, 2016, when the demonetization scheme was announced. Taking a short term standpoint, the banks are experiencing additional deposits of a tremendous quantum. In order to reduce the pressure on the net interest income generation, the banks cannot simply sit on the mounds of cash being deposited. Therefore, in order to facilitate credit creation, the lending rates have been reduced. While on the other hand, to support the profitability and growth motive of the banks, the deposit rates have too moved southwards.

In the long term, the banks might not have these additional funds. The demonetization policy has forced the citizens of the country to deposit their savings into bank accounts. A majority of such deposits are involuntary savings which have been made simply for the sake of exchanging the old notes and not with the intention of earing an interest income. It will be converted into liquidity by the depositors when the full-fledged new currency supply takes place. It means that the savings with the banks are transitory in nature. Therefore, banks can reduce their rates in the short or medium term. But they cannot afford to maintain such a stance in the longer term.

4. REPO RATE

On 4th October, 2016, the newly formed Monetary Policy Committee sliced down the country's repo rate by 25 basis points aggregating to a 50 basis points cut for the entire year. A change in this rate affects the rates of commercial banks, other rates such as the reverse repo rate and marginal standing facility along with a significant impact on the movement of rupee.

As a result of the recent demonetization policy announcement, there has been a significant fall in the number of cash transactions which is an indicator of decreased consumption due to which the inflation is likely to go down. Therefore, in order to boost economic activity and consumption and to bring back the temporarily derailed economy back on track, the RBI will likely undertake more rate cuts in the upcoming monetary policy reviews.

5. INFLATION

The proposed policy has till now negatively affected the inflation numbers and has kept them moving south. Consumer spending has reduced drastically as consumers are refraining from making any purchases except for essentials like consumer staples and health care. The real estate sector seems to be the worst hit as it remained a hot spot for cash and undocumented transactions.

A shortfall is expected in the money supply in the short term due to inadequate infrastructure for the printing and circulation of new notes. This will have a deflationary impact on the economy. Nonetheless, whether the impact of the decreased money supply will lead to deflation or contraction in demand or a mix of both will differ from sector to sector contingent to the nature of goods & services.

6. FOREIGN TRADE

The growth rate of any economy can be accelerated or decelerated based upon the health of its foreign trade, i.e., imports and exports. Post demonetization, the exports have backed off because of cash crunch. Instability in the exports of a country might lead to inflation and hence, erodes the internal purchasing power leading to an unstable economy. However, on the other hand a decline in the consumption expenditure highlights a downward trend in the imports. A stable exchange rate could be an idle situation for the economy as volatility vitiates the trade for India.

OBJECTIVE-2: IMPACT OF DEMONETIZATION ON VARIOUS SECTORS

1. FMCG

Consumers have drastically cut down on discretionary spending. Majority of the households have restricted their spending to essentials only. The wholesale businesses along with the traditional *kirana* stores have been hit hard where majority of the transactions are in cash. According to estimates, this segment has experienced a 20-25% fall in the sales on a year-on-year basis. Sales in the rural areas have been affected more.

Although, on the other hand, sales via organized retail stores have picked up due to their ability of accepting non cash payments. A change in the nature of purchases has been witnessed. Consumers are willing to buy essentials such as sugar, flour, etc. from such outlets.

2. MANUFACTURING

The PMI in November 2016 fell to 52.3 from October 2016's 22-months high of 54.4. Cash shortage has hampered the growth of new work flows, buying activity and production, while passive inflationary pressure may prompt the RBI to cut down key policy rates. A growth in demand from both domestic as well as external entities has been witnessed, though it has been hampered by the prevailing cash crunch.

Although, a disruption has been caused by the policy implementation, it is expected to ignite a growth pattern in the long run as unregulated entities may be forced to exit the market space.

3. OIL AND GAS

This sector will not be adversely impacted by the withdrawal of high denomination notes. Various components such as refining margins, production of petro products, gas transmission, etc., will not be affected. This sector will largely remain unaffected due to the fact that factors such as capacity utilization, capacity expansion, marketing margins and tariffs for gas utilities are independent of demand.

However, demand for petro products at retail outlets did pick up post the announcement of the policy as old currency notes were being accepted at petrol pumps. As a result of reduction in wealth and liquid cash, the retail demand for petro products may take a hit.

4. TOURISM

The most challenging phase of dealing with the post traumatic effects of the demonetization policy has perfectly coincided with the busiest season for the tourism industry. A sharp decline has been experienced in hotel bookings and other associated services sales. The premium hotels segment although remains largely unaffected as majority of their bookings are in advance and are done online. The unorganized sector has been the worst hit. Offshore travel has gone southwards as majority of the foreign exchange usage abroad is via cash.

5. AVIATION

Inbound travel has been majorly hit post the implementation of this policy. Airlines have experienced as large as a 16% fall in their bookings in the week following the introduction of this policy as compared to the week prior to it. Discretionary travel has taken the worst hit. Chartered flights have also experienced cancellations as majority of the payments are made via cash.

In order to cope up with the slump in sales, airlines have been forced to pre pone their airfare sales. Combined with the low oil prices, airlines have been able to offer cheaper deals in order to attract customers.

6. REAL ESTATE

Real estate deals have backed off altogether as the consumers are not willing to invest in property in light of the recent demonetization policy introduced by the Government of India. Land developers have delayed the launch of premium site projects as the prices of land and property are expected to decline further in the upcoming months. The resale property market has also witnessed a significant decline in the number of deals going through.

It is an undeniable fact that the real estate segment has been the hot spot for money hoarders leading to the maximum number of cash transactions. Post the introduction of the demonetization policy, the purchaser has to furnish a reasonable statement supporting the source of funds being utilized for the purchase of the property, which in majority of the cases is almost an impossible task.

Although, in the light of expected rate cuts by the RBI, this sector is expected to get back on track in the coming months.

7. BANKS

Banks have been experiencing a huge quantum of low cost deposits being made in the short term. They have reduced their deposit rate which means lower cost of funds and thus, better margins. As credit growth picks up, the increasing balance sheet size would also prove to be beneficial for them. Due to excess liquidity in the market, the yields are likely to fall down which will accrue treasury gains for the banks.

But on the other hand, even though banks are making significant efforts to facilitate the credit generation process, they have not experienced sufficient demand. With real estate deals on the slump and production estimates going south, the demand for credit has not been incremental. The asset quality of the banks could also worsen due to an expected slowdown in the economy.

8. AUTOMOBILES

The demand for two wheelers may take a hit as majority of the payments are rendered in cash. But the sales for passenger vehicles will largely remain unaffected as 70-80% of the sales are via external financing or cheque payments. Sales of commercial vehicles will be negatively impacted.

OBJECTIVE-3: IMPLEMENTATION STRATEGY

Developing a larger supply of new notes ahead of time would surely have maintained a strategic distance from a portion of the burden and the related cash shortage. The late arrangements made for weddings and agriculturists, could have also been foreseen. The ministry of agriculture's demand with respect to exclusion for farmers procuring seeds and different contributions amid the sowing season, so as to avoid disruption in sowing, should have been tended to expeditiously, as opposed to after numerous days.

The adaptability provides after issues surfaced is to be invited yet it could be expanded considerably further. For instance, old notes are permitted to be utilized in public-sector hospitals yet not private healing facilities, and farmers are permitted to utilize them for buying of seeds from public sector organizations but not private agencies. There is a decent case for permitting adaptability for buys from the private part too. The due date that has been taken into consideration for this adaptability could have been protracted.

Although the most imperative adaptability is to permit cooperative banks to accept old notes. Their nearness in rural regions is much bigger than that of commercial banks, and they are all governed by certain laws. On the off chance that enough currency does not exist at present to supply cooperative banks, they ought to be permitted to accept the old notes and supply new ones later.

The government should have given more time to its citizens to adjust to the change thereby reducing the agony of being without cash or standing in long queues. The ATMs should have been recalibrated in advance to meet the requirements of cash. The post office network should have been more optimally used due to its greater penetration in the Indian economy. The new currency introduced in denomination of Rs. 2,000 has been rendered useless because the government has failed to maintain a sufficient supply of smaller currency notes due to which people could not make change of the new currency.

CONCLUSION AND RECOMMENDATIONS

Taxation transparency, benami transactions, cash transaction dominant economy, unorganized sector etc. are some of the key challenges that the acting government has been facing. With demonization, majority of the key issues are expected to be addressed. There have been declarations that more strides will be taken, however these cover the ambit of benami properties and the undeclared foreign holdings. What are required are steps that will demoralize further creation of unaccounted income.

The accompanying is a rundown of steps that can be taken, which will have a critical effect after some time.

1. Reducing circumspection in both the Central and State governments by enabling transparency and accountability particularly in higher amount transactions. The greatest range of prudence identifies with land, land utilization, real estate regulations & digitization of the transactions.
2. Reforming the system of tax administration, including revamping, reinforcing and modernizing the Central Board of Excise and Customs/Central Board of Direct Taxes.

3. Lowering tax rates and rearranging the assessment framework to enhance consistency. The goods and services tax (GST) to be presented shortly was a perfect open door, yet the proposition at last endorsed by the GST committee has far too many rates and exemptions. Regardless of the possibility that this can't be changed at this stage, the committee could announce a review of the multiplicity of rates with a view to converging on two rates plus a transgression charge. It could likewise declare an expectation to incorporate liquor—a noteworthy wellspring of avoidance and black money—furthermore real estate in the GST by 2020.
4. The government should also focus on enforcing the Real Estate Regulatory Bill in order to avoid embezzlement of funds & introduce transparency of transactions in order to ensure that the real estate markets remains a buyer biased market in terms of the rules and regulations. The bill has been passed in Lok Sabha and is waiting for the Rajya Sabha passing for it to transform into one of the most herculean laws governing the way real estate functions.
5. Lowering the corporate tax rate to 25% in equal tranches with exemptions eradicated in the following budget. The tranches can be of 1% each year. This would definitely impact the fiscal deficit but if performed in tranches with the support of various other reforms in tax rates, export policies, import burdens etc., the deficit should be in control.
6. Persuading states to radically bring down the stamp duty for land deals as high rates of stamp duty are a noteworthy motivating force to sustain land exchanges in black money.
7. Pursuing some prominent debasement cases to an effective decision to make an impression on both business and the administration that corruption won't go on without serious consequences. A specific approach in view of logical probabilistic analysis is more appropriate than broad-based action which only creates fear in the business community.
8. Finally, it is significant to begin endeavouring at transforming the arrangement of electoral funding, incorporating transparency in gathering accounts which has already been kick started with the current year's budget. Business people routinely say that they are compelled to create black money to meet the requests of the political framework furthermore, the demands of the bureaucracy which has self-assertive forces which can convey business to a stop.
9. The government must critically focus on delivering reforms by increasing the expenditure of income generating areas and reduce the extent of subsidies by empowering increase in the income of the various low income groups. However, the task of reducing such subsidies can be challenging as the expenditure route requires strong fiscal revenue for support.
10. The government must start imposing charges on the cash withdrawal/transactions and complement the same by reducing the charges on digital transactions in the interim. This would help in discouraging the cash transactions.

Demonetization can only be a part of an extensive technique to handle corruption and generation of black income, and it is probably going to force considerable agony due to the antagonistic impact on GDP and low-end employment. The government will hopefully implement the next set of reforms better than the demonetization implementation which caused extreme liquidity issues across the economy. The more essential part of the battle against corruption includes the other arrangement of measures recorded previously. Advancement on these would make a genuine commitment to decreasing the long term advantage of lessening the generation of black income over time.

REFERENCES

1. BS Web Team, (November 18, 2016): Demonetisation: 5 countries that tried currency reforms and failed http://www.business-standard.com/article/economy-policy/demonetisation-5-times-countries-tried-currency-reforms-and-failed-116111800271_1.html
2. (December 19, 2016): Demonetization Can Be Successful & Here Are 6 Countries Which Proved It. http://www.spellerstep.com/information/demonetization-can-successful-6-countries-proved/
3. Know all about history of Indian currency demonetization. https://www.ncaacademy.com/know-all-about-history-of-indian-currency-demonetisation/
4. Kumar, Ravi Prakash (Nov 09, 2016): What is demonetisation and why was it done, economictimes.com.http://economictimes.indiatimes.com/articleshow/55326862.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
5. Sachdeva, Gulshan (Nov 21, 2016): Europe's Successful Currency Changeover Highlights Everything India Did Wrong. https://thewire.in/81396/europe-currency-changeover-demonetisation/

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue, as well as on the journal as a whole, on our e-mail **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries, please feel free to contact us on our e-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward to an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals