

# Demonatization And Its Impact On Current Scenario

**Vandana Singh**

Rajasthan Institute of engineering and technology

***Abstract-** The aim of this study is to understand possible outcomes of our demonetization. It takes the views of many authors and collects information about the possible effect of demonetization. The study also explains the behavior of people at the time of demonetization and its effect on saving and investment.*

## I. INTRODUCTION

Indian Prime minister Mr. Narendra Modi announced a sudden denomination of Rs 500/- and Rs 1000/- rupee notes on the evening of 8th November 2016. Impact of demonetization is felt by every Indian citizen and is going to be one of the memorable economic events of our time. It mainly affects economy on liquidity side. Liquidity crunch is their short term effects because of that people were not able to get popular denominations. It had a great impact on daily wage earners, other labourers, small traders etc. as this section uses cash frequently.

## II. LITERATURE REVIEW

In India, there were many occasions when high denomination banknotes were demonetized.

RBI printed the highest denomination notes of Rs10,000 in 1938. After that government. Demonetize Rs1,000 and higher denomination banknotes in 1946. Higher denomination Banknotes (Rs1,000, Rs5,000, Rs10,000) reintroduced in 1954 and all of them were demonetized in 1978 to curb unaccounted money. First time Rs500 banknotes were introduced in 1987 in order to restrain over increasing banknotes, due to inflation and in 2000 again Rs1000 banknotes came back in circulation in order to contain the volume of bank notes in circulation, due to inflation.

However, Rs2,000 banknotes were first time introduced in Nov 2016. Along with India many countries in the world had done demonetization in the history. Almost Countries that had done demonetization had some common objectives of demonetization Which were to curb corruption and black money and their government decided to demonetize their higher denomination notes to rid of these problems.

## III. HISTORICAL FACTS ABOUT DEMONETIZATION IN INDIA

The most significant instances of demonetization in India are given below:

On 12th January 1946, Rs.1000 and Rs.10000 notes were declared invalid. New notes came into economy in 1954. In 1987 to control inflation RBI introduced a new banknote of Rs. 500. On 8th November 2016 the old notes of Rs.500 and Rs. 1000 were barred and new notes of Rs. 2000 were soon introduced.

## IV. IMPACT OF DEMONETIZATION

Demonetization has an impact on daily life of each and every individual. The scarcity of cash led to chaos and people holding old banknotes face difficulty exchanging them due to endless line outside banks and ATM across India. ATM was running out of cash. Violence was reported in some places people attacked bank premises and ATMs. This step was taken to abolish black money from the economy as the owners will not be in position to deposit the same in the bank. It has led to more cash being deposited in bank this has enhance liquidity position of bank which can be utilizes for lending purpose.

## REFERENCES

- [1] Indian economy.net, journals, papers, Internet