
Demonetization: impact of fake currency

The discontinuation of the particular currency which is circulating in the economy and replacing it with a new currency is what demonetization means.

There were many countries where demonetization happened. The effect of demonetization on some of the countries are i.e. in the year 1984, the government of Nigeria introduced a new currency and banned the old notes. Therefore due to the population who were under debt and inflation in the economy hit in the country results in no change and the economy collapsed.

In North Korea, in 2010, the demonetization happened. This adversely affected the people as they were suffering from no food as well as no shelter.

As in Australia, it was the first country who released plastic notes to stop spreading fake currency in the market.

There were many objectives of Demonetization to put out black money, the money which terrorists and Naxalites have, fake currency from the economy and to make circulation of black money in the economy. Through the event of demonetization, this is the first step taken by the Indian government which initiated to bring transparency to an economy. From the day of demonetization enacted, every person of the citizen seemed to be in a queue outside the bank in order to deposit or withdrawal of money.

India's demonetization: economic reform

On 8th November 2016 is the date remembered to every citizen of India. Especially, the black money holder, terrorists, and corrupted people of India. On 8th November at 8:00pm the demonetization took place. This was a huge surprise to every citizen of India by our Honourable Prime Minister of India Sri Narendra Damodar Das Modi. As this circumstance took place, this became the historic event of India. Demonetization happened in order to bring changes in the Indian economy by eradicating huge stock of black money which was flowing in the economy and to make that money circulate in the economy in a productive and right way.

As the government of India announced the ban on Rs.500 and Rs.1000 notes, the citizen of India was under pressure to exchange or deposit the currency which got a ban.

In the Indian history, this is the first time demonetization happened. There was the purpose behind the ban of Rs.500 and Rs 1000 currency and introduction of new notes. However, there

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were several other countries have embraced it in the past. Some met the purposes, whereas some failed miserably. There are eight countries that tried demonetization before India, i.e., Nigeria, Ghana, Pakistan, Zimbabwe, North Korea, Soviet Union, Australia, and Myanmar.

As the demonetization announced, the public came in force to exchange and deposit the currency. Every people seems to be in the queue outside the Banks and ATMs. The notes withdrawn 86% from the total population.

The main objective is to find out how fake currency was exploiting the backward and economical weak people of the country before the implication of Demonetization. As in some of the period of time, the country was suffering inflation as well as deflation due to the excess flow of money in the economy and due to this the lower and the middle-class people were losing the purchasing capacity in the market.

The purpose of writing this paper is to analyze and study the fake currency, expected costs and approach comparing benefits and costs. Moreover, this paper helps me to analyze the reality of what the media says and what is the small impact on the poor people.

As the Prime Minister of Indian country Narendra Modi's decision on demonetization of high movement currency to restraint fake currency that was circulating in the Indian economy worthy, its implementation is not planned and expeditious and has led to a cash crisis all over the country, the common man getting affected negatively. Although it is still not known about the targeted results of demonetization were achieved, the planned act frequently caused a huge inconvenience and several issues for common and ordinary people by directly and indirectly to their daily life and their livelihoods. And for this, there are many reasons for this. Most of the common man in Indian country is dependent on cash or currency transactions for their daily and basic needs and for economic activities. The notion cash transactions like internet banking and credit or debit card transactions are limited as because such facilities and availabilities are mostly in the urban or semi-urban areas and only to the middle class and rich people. There were most of the ATMs were not working due to the excess shortage of cash. It was clear that the Prime Minister and the RBI in their so-called Surgical Strike have failed to take precautions against its negative effects on the common people. As due to this the life of the citizen got disrupted, as the people were having insufficient or no money to spend according to their requirements and on their needs.

The government's first step was to create awareness among people to create their bank accounts under Jan Dhan Yojna. They were asked to deposit their money into their accounts and also advise them to do their payments by online or through bank payments in future. Secondly, the government declared a deadline of 30, 2016 for the same purpose. This method helps the government to eliminate a huge undeclared amount. However, there were many

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people who still hold black money. So the government announced the demonetization of 500 and 1000 currency notes in order to tackle that population.

The demonetization system will help the country to become corruption-free. The people who are indulged in taking bribe will refrain from corrupt practices as it will be hard for them to keep their unaccounted cash. This step will also help the government to track the black money. Those individuals who have unaccounted cash are now required to show income and submit PAN for any valid financial transactions. The government can get an income tax return for the income on which tax has not been paid. This move will stop the circulation of fake currency. Most of the fake currency put in circulation is of the high-value notes will eliminate the circulation of fake currency.

The demonetization policy will force people to pay income tax returns. Most of the people who have been hiding their income are now forced to come forward to declare their income and pay tax on the same. Even though deposits up to Rs 2.5 lakh will not come under Income Tax scrutiny, individuals are required to submit PAN for any deposit of above Rs50,000 in cash. This will help the income tax department to track individuals with high denominations currency.

The ultimate objective of Demonetization is to make the country a cashless society. All the monetary transaction has to be through the banking methods and individuals have to be accountable for each penny they possess.

Scope of study

- This study will be helpful for the citizens of the country. The government, businessman and the Indian customers.
- Through this study, the government will be able to know about the future condition of the economy.
- This study will help the government for policy making to the betterment of the economy.
- This study will also be helpful for the citizen of the country they would be able to know the future condition of the economy and they can take a rational decision so that he will be able to generate more revenue and can earn the profit in the actual market scenario.
- Finally, everybody would be able to know the impact of note banned decision on the country's economy and market.

Economy on benefit in middle and long-term

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On 31st August, Thursday, the finance minister of India conveyed that the fake currency was routed out of the system and old notes will now no longer be permitted to be returned. Subhash Chandra Garg, secretary of Department of Economic Affairs said that Rs.16000 crore of currency is still out of the banking system and there is no way that the demonetized currency notes can now be returned.

He has also said that the two relevant facts must be kept in mind regarding the fake currency and despite the rush to exchange all demonetized notes, the system was much careful not to bring fake currency into the system.

He also conveyed that fake currency was actually put to rout out of the system. This has had a positive effect on curbing terrorist activities in places like Kashmir.

The government had demonetized old series Rs. 500 notes and Rs. 1,000 notes in November last year to curb black money and fake currency notes.

In the first official data on how much of the currency was returned into the banking system, the Reserve Bank of India had on Wednesday in its annual report had said that 99 percent or Rs. 15.28 lakh crore of the Rs. 15.4 lakh crore of the junked notes were returned.

Finance Minister Arun Jaitley had said that the objective of demonetization was also to make a shift from the predominantly high cash economy.

The Reserve Bank of India, which had so far shied away from revealing how much of junked currency came back to system post the November 8 note ban decision, had in its annual report yesterday said banks have received Rs. 15.28lakh crore or 99 percent of the currency invalidated.

According to submissions by its lawyers in the Supreme Court, the government had initially estimated about Rs. 5 lakh crore would not come back into the banking system as holders of unaccounted money may find it difficult to deposit the in banks — the only source allowed for getting rid of old currency.

Finance Minister Arun Jaitley said despite the pain associated with demonetization, the country was ready for this kind of change.

“It’s nobody’s case that the black money has totally been eliminated. There are still people who will be doing such transactions. But, I think, a large amount of that has come in,” he said.

Speaking at the EconomistIndia Summit here, Jaitley termed as a “very narrow vision” to

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consider just the dent in RBI's profit due to the printing of new currency as the cost of demonetization.

“When the demonetization was initially announced there was an element of uncertainty. There has not been any such experiments world over and therefore it is natural that there will be speculation as to how much money will come back,” he said.

The banned notes formed percent of the currency in circulation at that time. Holders of old notes were given a 50-day window to deposit them in banks.

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