

## **Issues and Challenges of Demonetization in India in the year 2016**

**Dr. K. Mariappan**

*Associate Professor and Head, Department of Economics, Sri Vasavi College, Erode – 638 316, Tamilnadu*

Demonetisation has happened two times in India, but third demonetization has created new hope for economic growth in India and also leading role in global economic system. Last two demonetization was put before Independence and during BJP government in the year 1978 respectively. It did not affected the poor, middle and upper middle classes people in higher rate because demonetization of Rs.1000/- Rs.5000/- Rs.10000/- affected only higher class people. But the third demonetization(2016) in India has both pros and cons, because money circulation in higher denomination is wide spread in practical transaction in Indian economy. Indian economy is saving economy. It leads to stable in Indian economy in all times. Whenever there is any economic meltdown in the world, there had been no changes in Indian economy. Demonetization is an urgent implementation in Indian economy because Rs.500/- and Rs.1000/- are calculated to be 13.5 lakhs of crores of currencies in circulation. Fake money from neighboring countries (5 ones paper ink from Switzerland and 2.5 tones currency paper from USA were missed in the year 2006) were mingled with original currencies. It will break down the Indian economy.

For strengthening Indian economy, demonetization of Rs.500/- and Rs.1000/- currencies is most urgent for the welfare of Indian economy.

### **Issues of Demonetization**

- Bring our Black money
- Abolition of Fake money
- Control the Inflation
- Reduce the Rate of Interest
- Make it Digital India through E-transactions
- Transparent money transaction
- Increase the Tax Revenue

### **Challenges of Demonetization**

- No clear concept of Indian money from Foreign Bank
- Highly affected by the savings economy
- No clear idea about money withdrawals
- To curb small business sectors
- Low transaction by poor, middle and neo middle class people.
- There is no daily wages work in all sectors of Indian economy.
- No permanent and alternative solution of demonetization.
- More roles for commission agents to exchange old and new currencies.
- Lack of New Five hundred rupees currencies

- Tribal and hill area people were highly affected for transaction.
- No clear idea about Participatory Notes.