



**BOOK OF ABSTRACT**  
**State Level Seminar on**  
**DEMONETISATION: ISSUES**  
**AND CONCERN**

**February 06, 2019**

**Organised by, Department of Economics**

**Initiated by IQAC**

**Bidhan Chandra College, Asansol-4**

**From the Principal's desk:**

On the 8<sup>th</sup> of November 2016, the Government of India took a drastic economic step announcing the demonetization of all traditional ₹500 and ₹1000 banknotes of the Mahatma Gandhi Series, followed by the issuance of new ₹500 and ₹2000 banknotes in exchange, and the announcement of drive towards the 'cashless' economy. It was claimed that the action would curtail the shadow economy and reduce the use of illicit and counterfeit cash to fund illegal activity and terrorism. This announcement was, however, immediately affected cash shortages in the weeks that followed, with people standing in long queues. Even several deaths were claimed to be linked to the rush to exchange cash. According to a 2018 report of the Reserve Bank of India, approximately 99.3% of the demonetized banknotes, or ₹15.30 lakh crore (15.3 trillion) of the ₹15.41 lakh crore that had been demonetized, were deposited with the banking system. The banknotes that were not deposited were only worth ₹10,720 crore (107.2 billion). A section of leading analysts are of the opinion that that the effort of the state authority has suffered a significant failure in removing black money from Indian economy. Initially, the move received support from several bankers as well as from some international commentators. While there have been lots of criticisms on this move as poorly planned and unfair. Turning into a political issue the entire move was has been facing protests, litigation, and strikes against the government in several places across India. Debates continue to take place concerning the move in both houses of parliament.

Barring the typical economic debates the event in concern has left a huge impact on the socio-political constitution of our democracy, already suffering from a series of crisis like unemployment, poverty and hunger, peasant's unrest, and communal disharmony in the post-globalization phase. For instance, employees of the large cross-sections of unorganized sectors found their lives at stake. Every Indian citizen has a tale to tell about his/ her personal experiences during and after demonetization. The department of Economics of Bidhan Chandra College, Asansol, has undertaken a commendable project of IQAC initiated one-day state level seminar, involving papers cum poster-presentations by scholars/ faculty members of different disciplines on "Demonetization: Issues and Concerns" on 6<sup>th</sup> February 2019 to enter into a pertinent part of our social life. I sincerely congratulate the department, welcome distinguished chief speaker and other participants, and wish a grand success to this endeavour.

**Dr. Falguni Mukhopadhyay**  
Principal, Bidhan Chandra College

**From the desk of IQAC Co-ordinator:**

For the last few days the news regarding the growth rate figure of the Indian economy has consumed so much news print which can only be compared with the news of a test match win at foreign field. As per the revised estimate published by CSO on the last day of January the GDP of India grew at 7.2 percent in 2017-2018 which was 50 basis points higher than that of the earlier estimate. Not only that in 2016-2017 i.e. in the year of demonetisation G.D.P growth rate was 8.2%, one percent higher than the previous estimate. These figures are no doubt satisfying to the persons desiring to face election in 2019 but the reality hardly accommodates this official estimate. The most important testimony to raise suspicion about this official figure is the hitherto unreleased statistical data regarding rate of unemployment. According to unpublished NSSO's periodic labour force survey(PLFS) unemployment rate of India in 2017-2018 was a 45 year high of 6.1%. Coupled with this mounting rate of unemployment, closure of millions of small and medium scale units, distressed farming community, agonising conditions of the poorest section, unsoundness of the banking sector mostly characterizes the Indian economy today specifically after demonetization and introduction of G.S.T. The economy is still paying the cost of a decision by which Rs 500 and Rs 1000 currency notes were ceased to be a legal tender from the midnight of 8th November 2016.

It is not the first time that India faced this demonetization drive. It is actually third in a row. The first demonetisation was on 12th January 1946, second on 16th January 1978, and the last was on 8th November 2016. But the hurriedness with which the recent demonetisation took place is unprecedented. The administration described it as a surgical strike against corruption and to remove counterfeit currency. It was also intended to march towards a cashless economy, converting the informal economy to a formal one, increasing the scope for financial inclusion, enhancement of financial savings etc. Majority Indians believed in these objectives and took oath to bear hardship for two three months for the sake of arresting black money and to fight against terrorism. But after the lapse of two years since demonetisation the real statistics of the economy says contrary to commoners expectations and government's dream.

RBI under its annual report ending June 2017 reports that 99 percent of the declared illegal tenders returned to the Central Bank, merely 1 percent amounting to Rs 16,050 crore did not come back. This statistics puts the question mark on the black money target of demonetisation and in this score it may be termed as a failure. Moreover it put an extra burden of Rs 7,965 crore on RBI for printing new money along with the extra liability on RBI to pay the interest on reverse repo deposits of banks lying with it. The story does not end here. The decision to demonetize the high currencies came in such a time when the farming fraternity of the country was either engaged in the post-harvest operation of Kharif crops and sowing of Rabi crops. Both these operations require a huge amount of cash for its conduct. The decision to demonetize at this time has affected 263 million farming community the worst. All farmers even leading landholders faced issues like paying daily wages to labours, purchasing inputs like certified quality seeds and other necessary agricultural inputs. As per previously released official estimate gross value added in agriculture was 1.7% in 2017-2018, compared to 4.1% in the second quarter of 2016-2017. To comment on the overall GVA finance minister Arun Jetly remarked that the agricultural sector had pulled down the general economic growth rate.

The story continues. The Centre for Monitoring Indian Economy has estimated that 1.5 million jobs were lost after demonetization. Alongside this loss of jobs, there has been a decline in the labour force participation rate (LPR). The All India Manufacturers' Organization (AIMO), which represents traders and small-, medium- and large-scale industries, conducted survey and has found a drop in employment of 60 per cent and loss in revenue of 55 after demonetization last year. Medium and large scale industries engaged in infrastructure projects, such as road construction, reported a 35% cut in employment and 45% revenue loss. The industries like foreign companies, engaged in export-oriented activities reported 30% job losses and 40% revenue fall. In the manufacturing sector, medium and large scale industries reported the least job-losses are 5% and took a revenue hit of 20%.

As against this backdrop the department of economics of this college has put this agenda for discussion among scholars and academicians to build up an understanding regarding the issue and the challenges the country has been facing since demonetisation. I sincerely believe that the discussion on "Demonetization: Issues and Concerns" will create interest among students, teachers and scholars to think further on this topic. On behalf of IQAC I wish a grand success of this one day state level seminar to be held on 6/2/2018.

**Prof. Sreemanta Sarkar**  
**Co-ordinator, IQAC**

**Organizing Committee:**

**Dr. Falguni Mukhopadhyay**, Principal, Bidhan Chandra College, Asansol

**Smt. Madhusree Dey**, Convener, Department of Economics

**Prof. Sreemanta Sarkar**, Co-ordinator, IQAC, Bidhan Chandra College, Asansol

**Dr. Sujit Kumar Bera**, Bursar, Bidhan Chandra College, Asansol

## From Convener's Desk:

Demonetisation is an act of cancelling the legal tender status of a currency unit in circulation. It occurs whenever there is a change in national currency. It is current forms of money that is pulled from circulation and it is often replaced with new notes or coins. Sometimes a country completely replaces its old currency with the new one.

The main purpose of demonetisation is to take out 'black money' held outside the formal economic system. There are multiple reasons why nations demonetise their local unit of currency i.e. to combat inflation, to combat corruption and crime, to discourage a cash dependent economy, to facilitate trade etc.

While announcing third time demonetisation in India on November 08, 2016, Prime Minister had outlined three broad objectives to fight against black money, corruption and terror funding. These three objectives have always been debatable for the lack of accurate verifiable data. The present government officially claims demonetisation has achieved its objectives quite substantially. The currency in the system now is 87-88 percent, that is, about ₹. 3-4 lac crore less currency than it would have been if the system would have continued in the old manner.

According to RBI report, only 0.7 % demonetised notes did not return to banks. In August 2017, the government had said that nearly 3 lac crore that had remained out of the banking system was deposited in banks after demonetisation. It claimed that over ₹. 2 lac crore black money reached banks. The government has maintained that the income tax department is examining about ₹. 1.75 lac crore suspicious deposits in the period of post-demonetisation. Around 18 lac people with this proportionate income have been identified by IT officials. Actions against them and exaction of tax with a penalty will achieve the stated objective of fighting black money. However, the RBI reports say that the detection of fake ₹. 500 and ₹. 1000 decreased by 59.70 and 59.60 % after demonetisation.

Another argument has been an assault on the counterfeit notes post-demonetisation. More than 105 people had died in the post-demonetisation rush for cash across the country. Demonetisation also hits small-scale business, small-trades, common people, rural community to a large extent. The country paid a huge price for demonetisation by way of job loss, closure of industries and GDP growth. Indian economy lost 1.50% of GDP in terms of growth that alone was a loss of ₹. 2.25 lac crore. Daily wage earners lost their livelihood for several weeks. According to the Centre for Monitoring Indian Economy (CMIE) demonetisation caused loss of about 15 lac jobs. The CMIE compared the data for January – April, 2017 with the figures for the September – December quarter in 2016, when demonetisation was implemented.

Two years over, still a fresh war of words is continuing between the supporters and opponents of demonetisation. In this context, an attempt has been made through this seminar to focus the overall impact of demonetisation in respect of different issues like infrastructure, consumption, production, employment, growth, tax revenue etc. and their concern.

**Smt. Madhusree Dey**  
**Convener**

**PROGRAM SCHEDULE**

VENUE – SEMINAR HALL (Room No-307), BIDHAN CHANDRA COLLEGE  
ASANSOL

**10.30 a.m to 11.30 a.m : Registration of Participants**

**11.30 a.m-12 noon- Inauguration**

**12 Noon -1.30 P.m- Speech by Professor Pranab Chattopadhyay**

**A.K Dasgupta Chair Professor,  
Department of Economics,Visva-Bharati,  
Santiniketan**

**1.30 a.m-1.45 P.m- question answer session**

**1.45 p.m-2.15 p.m- Tea and Tiffin Break**

**2.15 p.m- 3.00 p.m- Poster Session**

**3.00 p.m -3.30 p.m- Valedictory session.**

**Convener,**

**One-Day State Level Seminar**

**Coordinator,**

**IQAC, Bidhan Chandra College**

## Table of Content

<b>From the Principal's desk</b>	1
<b>From the desk of IQAC Co-ordinator</b>	2
<b>From Convener's Desk</b>	4
<b><u>Contributed Papers</u></b>	
<b>1. Possible Impacts of Demonetization on Indian Economic Growth</b>	7
Dr. Anjan Ray Chaudhury	
<b>2. DEMONETIZATION: A STEP TOWARDS CASHLESS ECONOMY</b>	7
Dr. Triptimoy Mondal, Tirtha Mondal	
<b>3. Demonetization and its Impacts on the Economy</b>	8
Dr. Chandan Bandyopadhyay	
<b>4. Demonetisation and challenges of calculating its effect</b>	9
Dr. Krishanu Sarkar	
<b>5. Poverty of Economy: Disability and Demonetization</b>	9
Dr Subhadeep Ray	
<b>6. Note-Ban &amp; Tax Evasion --- Insight into Pragmatic Aspects</b>	10
Ashim Kumar Adhya	
<b>7. Dilemma of Demonetization – Boon or Curse for Subalterns in India ?</b>	10
- Dipak Kundu, - Dr. Surya Narayan Ray	
<b>8. Demonetization and its impact on Indian Economy</b>	11
Munmun Nanda	
<b>9. Effect of Demonetization on Employment in India</b>	11
Dr. Suvranshu Pan	
<b>10. A STUDY ON THE EFFECT OF DEMONITIZATION ON VARIOUS SECTORS OF INDIA</b>	12
Ajay Kumar Sharma	

## **Possible Impacts of Demonetization on Indian Economic Growth**

Dr. Anjan Ray Chaudhury  
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Demonetisation means withdrawing the legal tender rights of any denomination of currency. Demonetisation is a step taken by the government where currency units are ceased of its status as legal tender. Government of India has chosen this process on 8<sup>th</sup> November, 2016. According to the claim of the government of India, the action would curtail the shadow economy and crack down on the use of illegal and fake cash to fund illegal and terrorist activities.

However, even if all of the aforementioned claims of the government of India are satisfied, demonetization may have severe negative consequences on the growth of the economy. Actually, demonetisation gave rise to liquidity problem as people found it difficult to get sufficient amount of cash to fulfil their basic needs. Marginal section of the society mainly depends on cash to meet their daily transactions. This leads to shortage of demand. Resultant growth is affected. Moreover, most of the population who constitute the lower middle and lower class uses currency to meet their daily transactions. Such classes of the society such as daily wage labourers, small traders and other marginal section of the society use cash more often. These sections of the society have lost their income in the scarcity of cash. Furthermore, cash shortage adversely affected the consumption behaviour of the people in India. The sales of consumer durables likely to be hampered in short-term, especially sales through unorganised channels are cash purchases. Most of the purchases by retailers are through cash which brought down their volume of trade. All these impacts of demonetization may have brought down the pace of growth of Indian economy. Against this backdrop, this study is an attempt to examine the influences of recently happened demonetization on economic growth in India.

**Key words:** shadow economy, social margins, economic growth, liquidity, trade

## **DEMONETIZATION: A STEP TOWARDS CASHLESS ECONOMY**

**Dr. Triptimoy Mondal**  
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During the ongoing decade of this century our government is trying to convert our economy into a cashless economy with the intention of converting India into a well-balanced economy by reducing black money, corruption and inequalities. The demonetization of the government introduced in the country during November, 2016 is a clear message towards making India into a cashless economy by the enhancing the sphere of cashless transaction. Cashless economy is an economy where most of the

transactions take place without using the physical cash or hard cash. It is the economy where transactions take place with the help of fund transfer through internet banking or by using debit cards, credit cards, e-wallets or other on line mechanism of payments. Definitely there are lots of merits of cashless transaction. But, in a country like ours, it is a controversial question whether India can be converted into a cashless economy at its present socio-economic status in a hurry or within a very short span of time. Keeping these debatable issues in mind this paper attempts to analyse the pros and cons of this controversial issue in the light of prevailing situations. By considering the impact of demonetization on the cashless transactions, merits and demerits of the issue, it is found that converting India fully into cash less economy within a very short span of time can turn into a futile exercise, and it may only be allowed to proceed as a long term scheme. The paper ends with some suggestions, which the authors wish to share from their personal experiences.

**Key words:** Indian economy, Cashless economy, Cashless transactions

### **Demonetization and its Impacts on the Economy**

Dr. Chandan Bandyopadhyay  
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Demonetization means banning of currency from the economy by withdrawing its legal tender. The Central Government of India withdrew high denominations of 500 and 1000 rupee notes from the economy with effect from the mid-night of 8<sup>th</sup> November, 2016 and thereby the process of demonetization was initiated. The demonetization was implemented with the objectives of curbing operations of black money, of controlling the terrorism including Naxalite movements, of increasing the collection of tax revenue and also of restricting the monetary operations and to introduce digital monetary transactions within the economy. However, the impacts of this operation are not beneficial for the economy as a whole. This paper shall try to address the concerns of the common people regarding demonetization and enquire into the socio-economic ramifications of such a move. This paper shall look into the comparative growth rate of GDP, the effect on the unorganized sector due to shortage of currencies, the retrenchment of daily wage-earners, validated by both data and the views of renowned economists, which seem contrary to the views expressed by the Government on such a move..

**Key-Words:** Legal Tender, Black Money, Digital Monetary Transactions

## Demonetisation and challenges of calculating its effect

Dr. Krishanu Sarkar  
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Department of Economics  
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What was proclaimed in the night on November eight, 2016 came as a surprise. The Economic Survey of India that was discharged simply before the presentation of General Budget 2018 in Parliament stressed that the tenure of old Rs.500/- and Rs.1000/- currency notes were over. However, the analysis in India and abroad has claimed that announcement of November 2016 could not achieve what it was assumed to do. With the approaching general election in 2019, the effects of demonetization still haunt the Indian Economy. Indian economy has yet to done away with all the negative impacts of this decision. However, economic consultants are of the opinion that the economy seeks a quicker growth and small objectives can be achieved by the conclusive move. This study also tries to find out the challenges faced by the country to find out the effectiveness of this step.

**Keywords:** Demonetization, Economic growth.

## Poverty of Economy: Disability and Demonetization

Dr Subhadeep Ray  
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This presentation attempts to interrogate how the state with a presumed notion of 'Normalcy' tends to ignore the role and position of the so-called 'differently-abled' persons in its entire drive for reorganizing Indian economy during and after 'demonetization'. This query is based on an understanding of the system of distribution prescribed by the state and implemented on the social sectors: distribution of income as well as of the use-values including means of production and means of consumption. Now, the ways of individual citizen's participation in the multiple forms of distribution involves corporeal experience – a fact remains central to the functioning of modern democracy. This study, therefore, locates concrete contact zones of state mechanism, with its over-stated goals, and bodies of common subject. This signals further marginalization of the differently abled persons – something reinforced by the post-demonetization economic budgets. This presentation is an appeal to political economists to consider this factor with more attention as human labour is after-all a physical fact and any acceptance/ rejection of state policies is finally physically executed – something evident in the post-demonetization peasant's march from the furthest corners to the metropolitan centres of the country.

**Key words:** Disability, Democracy, Distribution, Political Economy, Marginalization.



## Note-Ban & Tax Evasion

### --- Insight into Pragmatic Aspects

Ashim Kumar Adhya,  
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On 8 November, 2016, the union government banned the high-value currency notes of INR 500 and INR 1000, expecting that this move will curb the size of black economy. Unfortunately, during the following days, several sectors of the economy and large sections of the population experienced hardships due to the note-ban decision, instead of being benefitted in a true sense.

Proponent political anchors tried justifying saying that the decision helped in the increase in level of voluntary tax compliance. But administrative clearances of much longer time, were executed in no time. So the experiment, intended to be seen as a surgical strike against tax evaders and fake currency, turned into an assault on the un-organised sector, completely reliant on cash. Sources said, direct tax revenues have grown by 13.5 percent, close to the targeted 15.6 percent.

The arguments of the opponent-side pointed, the government was ignorant on the subject and, its issues of implementation. The result of the economy suddenly becoming cash-starved caused severe disruptions --- a fall in consumption, reduction in demand, loss of job for many daily wagers due to lack of cash with firms for making payments. The informal sectors and rural economy collapsed.

The rationale behind note-ban drive was that people with black money would be scared to deposit it in bank accounts --- meaning a windfall corresponding to un-returned currency for RBI, in turn would have to pay the government an equivalent dividend. The government also defended that a significant portion of the cash entering the system could be black money. But, if the exercise did lead to an audit trail of suspicious accounts, these amounts would have been seen insignificant compared to the reported size of black economy.

In this paper, I delineated how demonetization-move to prevent black-money could have been really effective, if the following factors be considered with priority, with the help of *supporting facts/events from secondary source*, and *related statistical tools/analysis and inferences*, while suggesting my pro-active note-ban measures, with due consideration of its implementation-limitations.

**Key Words:** Black/Fake Money, Tax Evasion, Corporate Secrecy, Taxation Authority, Beneficial Owners, Company Act, Audit Trail, Suspicious Accounts, Organised Sector.

## Dilemma of Demonetization – Boon or Curse for Subalterns in India ?

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The voices of subalterns in India are often muted by the cacophony of modernity. Otherwise, the pangs and misery of the ordinary Indian citizens, following the demonetisation by the Indian government on 08/11/2016 would surely have been heard and felt by the national planners. They should have

considered the drastic impact of the suddenness of this major decision on subalterns. Although demonetization stands as a significant landmark of modern India's attempt towards a cashless, digital society and it was envisioned as an instrument against the shadow economy supporting illegal and terrorist activities, poor planning and timing of demonetisation have resulted in poor achievement of its avowed objectives. This jury is still out on settling the dilemma of demonetisation, as to whether it is a boon or a curse for subalterns in India? This paper tries to provide a suitable answer to this dilemma.

**Key words:** Demonetisation, cash shortage, black money, Indian economy, subalterns.

### **Demonetization and its impact on Indian Economy**

Munmun Nanda

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Demonetization is the act of stripping a currency unit of its status as legal tender. The Current forms of money are pulled from circulation and retired, often to be replaced with new notes or coins. Demonetization is a step taken by Government to reduce corruption and black money from the Economy. The Currency has been demonetized thrice in India, the first on 12 January 1946, second on 16 January 1978 and third on 8 November 2016 .Demonetization has affected every single person of India. This paper attempts to find out short run impacts of demonetization on Indian Economy.

**Keywords-** Currency, Demonetization, Indian Economy

### **Effect of Demonetization on Employment in India**

Dr. Suvranshu Pan

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The effects of demonetization are significantly denied by government either on the speech or on the paper. But the reality has not remained hidden; it has become very apparent. This is a practice of many MNCs to absorb employees to complete their ongoing project on the temporary basis, but with the introduction of demonetization temporary employees become jobless, as they can't get salary on time and their contracts are terminated. Small and medium scale industries also relieve the temporary or contract employee and maintain and focus on permanent employees. Private sectors runs only for profitability and their production get reduced; they can't bear extra burden of employees in their company. This generates employment crisis in present Indian economy.

**Key Words:** demonetization, employment

## A STUDY ON THE EFFECT OF DEMONITIZATION ON VARIOUS SECTORS OF INDIA

Ajay Kumar Sharma  
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Demonetization of currency means discontinuity of the particular currency from circulation and replacing it with a new currency. On 8 November 2016, the Hon'ble Prime Minister of India, Mr. Narendra Modi, in a surprise move, announced the implementation of demonetization or 'notebandi' with effect from the midnight of that day itself. The government reasoned that this sudden and unexpected move, even though it caused problems for the country's people, would be an effective countermeasure to the rampant corruption and penetration of black money into the economy. This paper makes an attempt to do an in-depth analysis of the impact of Demonetization and also described the effect of demonetization on different sectors of the economy.

**Key Words-** Demonetization, Economy, corruption, black money, legal tender, monetary, cashless economy.