

## IMPACTS OF DEMONETISATION PARTICULARLY ON EMPLOYMENT IN INDIA

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**Abstract:** Almost all the opposition termed the decision of demonitisation in 2016 as a 'Financial Emergency' as high proportion say over 86% of total notes in circulation have been demonetized which led to most economic activities, particularly employment, affected at large. The impact of demonetisation on employment is very important especially, in the situation when the majority of wage payments of informal employment, say more than 95 percent of total transactions in India, are in cash form. Therefore, the labour market particularly informal in nature will be most affected by the move of demonitisation particularly in short run. On the other hand, the formal sector has achieved its saturation point of employment and will not be affected in short run and long run by the decision of demonitisation. Any major change in economic policies like demonitisation may have change in employment scenario and become volatile due to uncertainties in short run but in long run it will have positive impacts on labour markets in India. India is a developing country and has largest youth population in the world therefore it is our duty to provide them gainful employment by taking some strict decisions like demonetisation.

**Keywords:** Black Money, Demonetization, Informal Employment, Formal Employment, Growth Rate, Financial Inclusion.

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## Introduction

On 8<sup>th</sup> November 2016, the sudden announcement to demonetisation of high denomination currency notes sent tremors all across the country. Demonetisation is a method where the government deprived certain notes of their legal tender status, except for specified activities seen as paying utility bills. India has had two previous decisions of demonitisation which took place in 1946 and 1978; in neither of the decisions did the currency notes that were removed constitute so high a number as percentage of circulation and therefore the overall impact was pretty grounded. Almost all the opposition termed the decision of demonitisation in 2016 as a 'Financial Emergency' as high proportion say over 86% of total notes in circulation have been demonetized which led to most economic activities, particularly employment, affected at large as India's economy is relatively cash dependent.

The general public, however, seemed divided on the issue, i.e. those in the favour of the decision feel it will help to curb the black money, counterfeiting, fake currency, cross border terrorism, reduction in overall tension, increase in transparency and financial inclusion, decrease in tax rates and lending rates, decrease the hawala transactions, decrease in inflation, increase liquidity in the system which will enhance the ability of banks to provide more loans to the farmers, infrastructure and IT sectors etc. Due to shortage of cash and the requirement of cash in everyday life, one positive impact was seen on the usage of plastic money. Card usage went up at once as also usage of other alternatives like Bhim App, Buddy of SBI, Paytm, E-Wallet, AEPS, Walnut, UPI, PhonePe, Mobile Kiwi, Net Banking etc. They added, the government is trying to push more people to transact through digital medium since it provides a clear audit trail and makes tax evasion tougher. After having sufficient cash supply by the end of March 2017, the economy will revert to the normal functioning. They said that it is short term pain and long term gain. In addition, it is also stated the decision was taken after full preparation like creation of the Special Investigation Team, introduction of Black Money and Imposition of Tax Act, 2015, Benami Transactions Act 2016 clubbed with the exchange of information agreement with Switzerland and the tax treaties with Mauritius, Cyprus and Singapore, opening of Jan Dhan Accounts, voluntary disclosure scheme of Black Money etc. and having high level security and secrecy.

In sharp contrast, the others believe it is a purely un-thoughtful decision, based on poor understanding of black money and hence, it is only politically motivated decision in the wake of assembly election due in five states. It seems that the decision was taken by throwing a coin. The sudden of the action combined with enormous impact on the common man has meant a slowing down

of the economic activities. The economic survey 2016-2017 puts the damage between .25% to .50%. Further, they also believe that the given decision of Demonetisation is far from ground reality and nothing except causing miseries to lakhs of people by making them stand in queue.

### **Objectives of the Study**

The main Objectives of the study are as follows :

1. To Know the concept of Demonetization and
2. To adjudge the Impact of Demonetisation particularly on Employment.

### **Impact of Demonetisation on Employment**

The impact of demonetisation on employment is very important particularly, in the situation when the majority of wage payments are made in cash form. As we observe the huge informal employment, say more than 95 percent of total transactions in India, are in cash form. The huge informal employment which constitute more than 94 percent of all employment is not backed with sufficient social security i.e. health education, provident fund benefits etc. In such a situation the sudden decision of demonetisation led the labour market dynamics changed significantly by rendering thousands of workers, labourers and small employees on daily basis exposed to increase uncertainty in employment, they have to migrate.

For employment growth, economic growth is one of the important factors. Theoretically, a unit decline in growth rate results a decline in employment growth rate. Therefore, the labour market particularly informal in nature, will be most affected by the move of demonitisation particularly in short run. In a country where 79% of non-agricultural workers have no written agreement and less than 25% are eligible for any social security, the decision of demonitisation has a cause of concern in short run.

On the other hand, the formal sector has achieved its saturation point of employment and will not be affected in short run and long run by the decision of demonitisation. Employment opportunities will increase for digitally skilled youths in I.T, Postal, Insurance, Banking and other Financial Services But there it must be noted that the labour market in India has been facing various problems like recession at world level and increasing automation especially in manufacturing sector.

The impact of use of ICT in manufacturing sector is well documented on direct employment. Any major change in economic policies like demonitisation may have change in employment scenario and further become volatile due to uncertainties in short run but in long run it will have positive impacts on labour markets in India. The decision of demonitisation has been a radical, unprecedented step with short term cost and long term benefits, and further many positive actions have been taken to minimize the former and maximize the later. These actions include fast demand driven demonitisation, reducing tax rates and stamp duties, tax reforms including bringing land and real estate into GST. These actions would allow growth to return to upward trend in 2017-2018, following temporary decline in 2016-2017.

### **Conclusion**

Almost all the opposition termed the decision of demonitisation in 2016 as a 'Financial Emergency' as high proportion say over 86% of total notes in circulation have been demonetise which led to most economic activities, particularly employment, affected at large. The general public, however, seemed divided on the issue, those in the favour of the decision feel it will help to curb the black money, counterfeiting, fake currency, cross border terrorism, reduction in overall tension, increase in transparency, decrease in tax rates, increase liquidity in the system which will enhance the ability of banks to provide more loans to the farmers, infrastructure and IT sectors etc. They said that it is short term pain and long term gain. The impact of demonetisation on employment is very important particularly, in the situation when the majority of wage payments of informal employment, say more than 95 percent of total transactions in India, are in cash form. In such a situation the sudden decision of demonetisation led the labour market dynamics changed significantly by rendering thousands of workers, labourers and small employees on daily basis exposed to increase uncertainly in employment, they have to migrate. For employment growth, economic growth is one of the important factors. Therefore, the labour market particularly informal in nature will be most affected by the move of demonitisation particularly in short run. On the other hand, the formal sector has achieved its saturation point of employment and will not be affected in short run and long run by the decision of demonitisation. But there it must be noted that the labour market in India has been facing various problems like recession at world level and increasing automation especially in manufacturing sector. The impact of use of ICT in manufacturing sector is well documented on direct employment. Any major change in economic policies like demonitisation may have change in employment scenario and become volatile due to uncertainties in short run but in long run it will have positive impacts on labour markets

in India. India is a developing country and has largest youth population in the world therefore it is our duty to provide them gainful employment by taking some strict decisions like demonetisation.

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