

# Demonetization: Impact on Private Savings and its Channelisation

Fatema Mandlaywala\*

## Introduction

Demonetization is an act of abolishing any currency from its status of being the legal tender. In India on the 8<sup>th</sup> of November 2016, Mr Narendra Modi, the prime minister of India announced demonetization of Rs 500 and Rs 1000 notes. The act was mainly done as a measure to curb the black money market in India, to stop the circulation of fake currency in the market and also reduce terror funding. Since 500 and 1000 rupee notes constituted around 89.6% of the total currency in circulation, this move was sure to have a considerable impact on the economy of India.

Demonetization came as a huge blow to every individual and its effects were seen in almost every sector of the Indian Economy. While people became cashless waiting in queues of banks and ATMs to get their own money back, many lost their jobs, some lost their lives as medical treatment could not be accessed due to lack of cash money. Many sectors suffered negatively like agriculture and industry. The worst impacted were segments that relied on cash transactions like the retail sector. The impact was felt at both firm and consumer levels. India witnessed its four year low growth rate of 6.7%.

Did demonetization bring about any change in the pattern of channelization of savings by an Indian household in different avenues?

Contemporary Issues in Accounting & Finance

Edited by  
Dr. Pranam Dhar  
Dr. Amalesh Patra

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First Published : August, 2019

ISBN: 978-93-88866-15-6

Published by  
ROHINI NANDAN  
19/2, Radhanath Mallick Lane  
Kolkata- 700 012  
email: rohininandanpub@gmail.com

Printed at  
Rohini Nandan Printing Division

Price : 1500/-

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