

## **Impacts of Demonetization in Organized and Unorganized Sector**

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**Abstract:** *The Government implemented demonetization recently it gained positive and negative feedback from the people. Apart from the common man Indian organized and unorganized sectors got huge impacts both positively and negatively, data from the Times of India, employment has decreased 35% in last 40 days. And also some other data added Indian GDP decreased 7.5% to 7.1% its showing clear picture about organized and unorganized sectors present situation. Indian government attempted to tackle the three issues affecting the economy i.e. a parallel economy, counterfeit currency in circulation and terror financing. There is no doubt that Prime Minister has pulled out a major coop and substantially enhanced his reputation as a strong leader. But "All cash is not black money, and all black money is not cash," hence this paper examining the impacts of demonstration in organized and unorganized sector.*

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### **I. Introduction**

The scarcity of cash due to demonetization led to chaos, and most people holding old banknotes faced difficulties exchanging them due to endless lines outside banks and ATMs across India, which became a daily routine for millions of people waiting to deposit or exchange the Rs.500 and Rs.1000 banknotes since 9 November. ATMs were running out of cash after a few hours of being functional, and around half the ATMs in the country were non-functional its affect the organized sector lot for example After the demonetization was announced, about 800,000 truck drivers were affected with scarcity of cash, with around 400,000 trucks stranded at major highways across India were reported. Farmers and their unions conducted protest rallies By the second week after demonetization of Rs.500 and Rs.1,000 banknotes, cigarette sales across India witnessed a fall of 30–40%,while E-commerce companies saw up to a 30% decline in cash on delivery (COD) orders. Several e-commerce companies hailed the demonetization decision as an impetus to an increase in digital payments. They believe that it would lead to a decline in COD returns which is expected to cut down their costs

### **II. Impact on organized sector**

The idea of demonetization is good but it has to be taken into consideration that most of the black money is kept in the form of land, buildings or gold or kept abroad. What is in cash constitutes only 4% of the total amount of black money on which taxes are not being paid. Out of this, a lot of money is in circulation in everyday transaction like if someone is building a house; the bill is not paid through banks for sand, bricks etc. This money goes into the other systems though it has been drawn from bank. These things will come under control with this step.

The Government is not saying that 100% corruption will be tackled. If announcement and time would have been given, this step might not have been successful in controlling black money and counterfeit currency in circulation coming from Pakistan, Nepal or other countries.

This is a terrible setback for the international standing of the Indian economy. At this time, the economy is struggling with slowdown The stock of the black economy constitutes a major part of the GDP is significant. Even if 50% of this amount is withdrawn, the kind of relief that RBI will get on its liabilities and the sort of deposits commercial banks will get will lead to a rise in the deposit and later on there will be decrease in lending rates plus fiscal deficit. Investment is not taking place in the economy and the rate of growth of capital formation is down. This will also make tendency of using Plastic Money which makes organized sector better, easy and fast.

Real estate may see significant course correction: The demonetization decision is expected to have far reaching effects on real estate. Resale transactions in the real estate sector often have a significant cash component as it reduces incidence of capital gains tax. Black money was responsible for sharp appreciation of properties in metros; real estate prices may now see a sharp drop.

### **III. Impact on Unorganized sector**

Small farmers, sellers, merchants, daily wage laborers and traders are suffering because of lack of proper planning, intelligence and foresight such as recalibration of ATM machines. If we look at the farm sector, this is the harvest time. Farmers generally deal in cash and India is also largely a cash economy. If suddenly implementing demonetization this sector suffering lot. People are facing problems because the limit of withdrawal has not been kept at a higher level. If this would have been kept at a higher level, there were chances that the recycling of black money might begin. In the tribal and farmers heartland of the country, the poor people through middlemen are getting their currencies exchanged for Rs.300 or Rs.400 because of lack of proper information which is hitting them. Temporarily unorganized sector buying capacity will decrease for examples purchasing of raw material, fertilizers, and selling cost. Majority of Indians unorganized sector have no knowledge about cashless transaction and resources also limited. When a poor farmer is unable to repay his small loan Picking holes in the cashless economy five-six percent of the amount deducted in every digital transaction as service charge

### **IV. Conclusion**

Demonetization is a historical step and should be supported by all. One should look at the bigger picture which will definitely fetch results in the long term. This is what the people have been asking for a long time which has finally happened. Demonetization will likely result in people adopting virtual wallets such as Paytm, Ola Money. Net banking, mobile banking and transaction through other apps will increase; this behavioral change could be a game changer for India.