Demonetization in India: Boon or Bane

Azharuddin Mohammad Mussaiyib
(Assistant Professor, IILM Academy of Higher Learning, Lucknow, UP, India)

Abstract: In a historical move, the Government of India declared that the five hundred and one thousand-rupee notes will no longer be legal tender from midnight, 8th November 2016. This announcement has been made by the prime minister of India in an attempt to fight against corruption, black money and counterfeit notes. The decision is expected to make a significant impact on Indian economy. The aim of this paper is to understand the basic objectives behind demonetization. The paper further focuses on the history of demonetization in other countries of the world. The paper also highlights the probable consequences of this decision on various economic variables and entities. After the announcement of this decision, many obvious questions have arisen. What are the costs of this demonetization? Who will pay the price of this decision? Will it be effective if people can still create new black money thereafter? Is demonetization a boon or bane for Indian Economy? Will it increase inflation? What about tax revenues? How this decision is going to impact the Indian banking system? The paper looks for answer of these questions. For the purpose of achieving the objectives of research paper large amount of secondary data has been analyzed and references have been taken from various reports and views of various economists about this decision have been taken into consideration. Finally, the paper draws a conclusion by analyzing the overall impact of demonetization on Indian economy.

Keywords: Demonetization, Legal Tender, Black Money, Government of India, Indian Economy

I. INTRODUCTION

The government of India, in an historical decision, has brought a major change in the economic environment of India. Government of India vide their Notification dated 8 November 2016 have withdrawn the Legal Tender status of 500 and 1,000 rupee denominations of banknotes of the Mahatma Gandhi Series issued by the Reserve Bank till 8 November 2016. This sudden move of government surprised the entire country. The decision involves the elimination of 500 & 1000 rupee notes from circulation and a gradual replacement with a new 500 & 2000 rupee notes. In the short run, it is obvious that the cash in circulation would be substantially squeezed because the replacement of new currency will take time. This move of the government is targeted to address the issues like black money, corruption, terror funding and fake currency. Moreover, it is an attempt to promote cashless transactions in the country.

According to an estimate the total value of old Rs.500 and Rs.1000 notes in the circulation is to the tune of Rs.15 trillion, which is approximately 86% of the total value of currency in circulation. India is one of the countries of the world where cash usage is highest. According to a report from PwC (2015), Volume wise 98 percent of all transactions happen in cash and value wise 68 percent of the total transactions are conducted in cash. According to an estimate of consulting firm McKinsey & Company the shadow economy of India is approximately 26% of India’s GDP in 2013. Assuming that this figure has not changed (which is very unlikely), the shadow economy of India amounts to Rs. 33.9 lakh crore approximately.

Now, with this decision, it is expected that this money would either be accounted for by paying the relevant tax and penalties or would get extinguished.

Since the concept of demonetization is relatively less common among the people, most of us are unaware of the effects, history, legality and technicalities related to demonetization. So, it’s better to discuss the basics of demonetization.

What is Demonetization?

Demonetization is a radical monetary step in which a currency unit’s status as a legal tender is declared invalid. It is an act where the old unit of currency gets retired and replaced with a new currency unit. It can also be considered as withdrawal of a specific currency from market. This is usually done whenever there is a change of national currency, replacing the old unit with a new one.

Major Objectives of Demonetization

- To control black money and fake money.
- To fight with inflation.
- To promote cashless transactions.
- To barricade hawala transactions to counter terrorist activities.
India’s History with Demonetization: From 1946 to 2016

India has faced the process of demonetization earlier at the time of different rulers. Some of the most significant instances of demonetization in India are:

1. In 1946, the currency note of Rs 1,000 and Rs 10,000 were declared invalid as a legal tender. Currency worth INR 1.46 billion (1.7% of total notes in circulation was demonetized. Of this INR 1.0 billion (or 68%) was tendered back. The impact of this decision was not very significant as the currency of such higher denomination was not in the reach of common public.

2. In 1978, the then Prime Minister of India Mr. Morarji Desai announced the currency ban. With his announcement Rs 1000, Rs 5000 and Rs 10,000 were removed from circulation. The value of demonetization was very small (only 0.1% of GDP).The main objective of this decision was to control black money creation in the country.

3. On November 08, 2016, Prime Minister Mr. Narendra Modi made an announcement regarding ban of old banknotes of Rs. 500 and Rs. 1000 of Gandhi Series. The Government has introduced new 500 and 2000 rupee notes to replace older notes.

II. LITERATURE REVIEW

Partap Singh and Virender Singh studied “Impact of Demonetization on Indian Economy” (December, 2016) and concluded, if the money disappears from circulation, it will not benefit the economy. On the other hand if the money finds its way in the economy it would certainly make a meaningful impact. However experiences from different countries shows that the move was one of the series that failed to fix a debt-burdened and inflation-ridden economy.

According to Rahul Deodhar in his e-book “Black Money and Demonetization” (2016), recent demonetization is just one move of one piece in the chess board of black money.

To check-mate the black money king, you have to win the board. The government needs to control other black money creators such as NGO’s existing on papers only, cooperative banks accepting small deposits and loaning it to founders and directors, Government aided/recognized schools, colleges and institutions which look innocuous and have no actual teachers, students or infrastructure but simply using approvals from complicit education officers create a chain wherein legitimate money turns into black money.

The tax research team of National Institute of Public Finance and Policy, New Delhi in its working paper “Demonetisation: Impact on the Economy” (November, 2016) conclude that the demonetisation undertaken by the government is a large shock to the economy. The impact of the shock in the medium term will depend upon the amount of the old currency replaced with new currency and the extent to which currency in circulation is extinguished.

Areendam Chanda (December, 2017) studied “Notes (and anecdotes) on Demonetisation” and concluded that in economics, when evaluating the costs and benefits of a new policy, we ask if those that are harmed can be compensated adequately. In this respect it is clear that the Modi government has come up short and one wonders why he did not put in place an action plan to help those who were likely to be the most inconvenienced.

According to Frank Holmes in his study “Modi’s Demonetization Is a Cure Worse Than the Disease” (December, 2016), India is a country which runs on cash which is the root cause of its shadow economy but ditching paper money altogether, is same as the cure worse than the disease. Demonetization will hurt low-income and rural families the most, while those who’ve benefited from the country’s deep shadow economy will likely find other avenues to traffic in corruption.

According to Deloitte’s report “Demystifying demonetization” (2016), there will be a decline in inflation and negative impact on GDP in the coming quarters, there will be a negative impact on some sectors such as real estate, retail, etc. On the contrary, sectors such as Banking and Financial Services, e-Commerce, fintech, etc. are expected to have a positive impact.

Overall, though demonetization throws up some challenges and difficulties in the short run, it would be helpful to address the issue of black money in the long run.

According to a report prepared by economic division of Credit Analysis & Research Limited titled “Impact of demonetization on GDP growth in FY17” , the services sector is expected to be affected the most mainly on account of losses in trade, hotel, transport etc. due to the volume of cash transactions involved in these economic activities. The gains would be positive for the banking sector due to the increase in deposits which would be countered by slowing down of other sectors in the group like real estate. Agriculture is expected to least impacted with major shock being absorbed in the first 2-3 weeks itself as there have been issues in sales at Mandis due to the cash crunch presently. As per initial estimate, overall GDP growth would be affected by 0.3-0.5%.
K. Rajini & Shanthini. B studied “Impact of Demonetization – A Conceptual Framework” and found that demonetization will impact the Rural Economy and sectors with a sizeable magnitude of Cash transactions such as Real Estate, Construction, Jewelry, high-end retail, White Goods and travel & tourism are expected to adversely affect. Demonetization will push the economy because of flow of more money into the banking system. In the long term, the economy will benefit from the reduction of the black money, which will lead to higher tax collection, better business environment, less corruption & transparency. It will improve the situation of Fiscal Deficit of the Country and hence reduce the fiscal deficit. Interest rates will decline further because of decrease on Inflation as banks are flushed with huge inflows.

Vedashee Mali (December, 2016) studied “Demonetization: A step towards modified India” and concluded that Demonetization will create some positive impact in long run in controlling black money and fake money.

**Objectives of the Study**
- To study the need of demonetization in India
- To understand the costs of this demonetization
- To highlight the impact of Demonetization on various economic variables

### III. RESEARCH METHODOLOGY

The descriptive research design is adopted for this study. Considering the objectives of the study, the articles and research papers from journals, magazine and newspapers have been referred. The secondary data has been collected from the websites of ministry of finance Govt. of India and reserve bank of India.

**Need of Demonetization in India**

The government of India claims that demonetization will help to control black money in the economy, to stop counterfeiting notes allegedly used for funding terror activities and to reduce corruption. Let us find out the real fact behind this initiative with the help of some data.

According to the Handbook of RBI on Indian Economy 2015-16, a total of Rs.16.42 lakh crore worth of currency was in circulation as at end-March 2016. Of this, Rs.14.18 lakh crore was in the form of Rs.500 and Rs.1000 denomination notes, representing around 86 per cent of the value of total currency and coins in circulation. In terms of number of notes in circulation, Rs.500 and Rs.1000 denomination notes represent about 2200 crore notes, which were about 26 per cent of total notes in circulation.

According to the Reserve Bank of India’s annual report published in 2016, more than 2.61 lakh counterfeit notes in the denomination of Rs 500 were detected by banks in the year 2015-2016 while another 1.43 lakh fake notes of Rs 1000 were detected. By value, counterfeit notes of Rs 500 and Rs 1000 accounted for more than 92% of all the fake currency detected by banks across the country.

<table>
<thead>
<tr>
<th>Denomination (Rs)</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 &amp; 5</td>
<td>0</td>
<td>2</td>
<td>80</td>
</tr>
<tr>
<td>10</td>
<td>268</td>
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<td>523</td>
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<td>20</td>
<td>106</td>
<td>96</td>
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<td>50</td>
<td>7,160</td>
<td>6,453</td>
<td>9,222</td>
</tr>
<tr>
<td>100</td>
<td>181,799</td>
<td>221,447</td>
<td>177,195</td>
</tr>
<tr>
<td>500 (MG series)</td>
<td>273,923</td>
<td>261,695</td>
<td>317,567</td>
</tr>
<tr>
<td>500 (New design)</td>
<td>0</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>1,000</td>
<td>131,190</td>
<td>143,099</td>
<td>256,324</td>
</tr>
<tr>
<td>2,000</td>
<td>0</td>
<td>0</td>
<td>638</td>
</tr>
</tbody>
</table>

**Source: RBI Annual Report 2016-17**

As per the Indian Statistical Institute, Kolkata, counterfeit currency in circulation is estimated to be INR 400 crore, 0.028% of the demonetised currency. As per the World Bank estimates, India’s black economy is in the range of 21% to 23% of its GDP (World Bank estimate 2007: 23.2%). In present GDP terms, the black economy could be approximately INR 6,800 billion (2016 3rd quarter estimate of GDP INR 29,628 billion). However, approximately 70% of the black assets, INR 4,800 billion are estimated to be parked overseas, leaving approximately INR 2,000 billion in the country, of which 5% to 6% are held in cash (data compiled from Income Tax raids).
Keeping the above data in view, the government of India decided to take an historical decision of demonetizing high denomination currency notes which are almost 86% of the currency in circulation.

Costs of Demonetization

The decision of the government of India to demonetize high denomination currency may, at best, disable a portion of black money held in the form of currency notes that have ceased to be legal tender. The stock of black money held in currency form has been generally estimated at around 5-6% of the total. Major portion of this black money is in the form of gold and real estate. Current estimates of black money trapped through demonetisation do not exceed Rs 3 lakh crore. The claim that the demonetisation was aimed at immobilising counterfeit currency is lacking in credibility. The current decision brings more cost than benefit. It seems that, it is cure worst than disease. Let us analyze this decision with the help of data related to government expenditure to execute this decision. The various heads on which Government has to incur cost are:

- Cost of Printing and distribution of new currency notes against the demonetized currency
- Cost of recalibration of ATM machines
- Cost of destroying old currency notes

Cost of Printing and Distribution of Currency

According to the data released by RBI in its annual report for 2016-17, the cost of printing notes doubled to Rs 7,965 crore in FY’17 from Rs 3,421 crore in FY’16 on account of new currency printing post currency ban.

Responding to an RTI filled by Business Line on November 25, under the Right to Information Act, Bharatiya Reserve Bank Note Mudran Pvt Ltd (a subsidiary of RBI) said that, it costs ₹3.09 to print a new ₹500 note, and ₹3.54 for the ₹2,000 note.

If we go through the annual report 2016-17 of RBI, we find that, in value terms, the share of ₹500 and above banknotes, which had together accounted for 86% of the total value of banknotes in circulation before demonization stood at 73.4 per cent at end-March 2017. The share of newly introduced ₹2000 banknotes in the total value of banknotes in circulation was 50.2 per cent at end-March 2017.

<table>
<thead>
<tr>
<th>Table 1 - Banknotes in Circulation</th>
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<tbody>
<tr>
<td><strong>Denomination (₹)</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2 and 5</td>
</tr>
<tr>
<td>10</td>
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<tr>
<td>20</td>
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<tr>
<td>50</td>
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<tr>
<td>100</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>1,000</td>
</tr>
<tr>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses represent the percentage share in total volume/value.

Source: RBI Annual report 2016-17
The annual report 2016-17 of RBI also provide the data regarding Demand Estimation and Supply of Currency

**Table 2 Indent and Supply of Banknotes by BRBNMPL and SPMCIL (April-March)**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>6,000</td>
<td>9,417</td>
<td>4,000</td>
<td>5,857</td>
<td>3,000</td>
<td>2,785</td>
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<td>20</td>
<td>4,000</td>
<td>1,086</td>
<td>5,000</td>
<td>3,252</td>
<td>6,000</td>
<td>4,118</td>
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<tr>
<td>50</td>
<td>2,100</td>
<td>1,615</td>
<td>2,050</td>
<td>1,908</td>
<td>2,125</td>
<td>2,700</td>
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<tr>
<td>100</td>
<td>5,200</td>
<td>5,464</td>
<td>5,350</td>
<td>4,910</td>
<td>5,500</td>
<td>5,738</td>
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<tr>
<td>500 (MG series)</td>
<td>5,400</td>
<td>5,018</td>
<td>5,600</td>
<td>4,291</td>
<td>5,725</td>
<td>2,013</td>
</tr>
<tr>
<td>500 (New design)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,260</td>
</tr>
<tr>
<td>1,000</td>
<td>1,500</td>
<td>1,052</td>
<td>1,900</td>
<td>977</td>
<td>2,200</td>
<td>925</td>
</tr>
<tr>
<td>2,000</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>3,500</td>
<td>3,504</td>
</tr>
<tr>
<td>Total@</td>
<td>24,200</td>
<td>23,652</td>
<td>23,900</td>
<td>21,195</td>
<td>28,050</td>
<td>29,043</td>
</tr>
</tbody>
</table>

*Source: RBI Annual report 2016-17 @: Total excludes ₹1.*

With the above data the estimated cost of printing new 500 & 2000 rupee notes is approximately equal to 34837.56 million rupees.

Currency management is one of the key functions of Reserve Bank of India and during demonetization it was one of the biggest challenges to manage currency and make it available for common public. The Department of Currency Management plays a key role in meeting the legitimate demand of the public for banknotes and coins by ensuring continuous supply and circulation of notes and coins of various denominations across the country.

**From press to ATM: The journey of a Currency note**

**Step 1: Printing Presses**

There are two printing presses responsible for churning out new ₹2,000 notes located in Mysuru, Karnataka and in Salboni, West Bengal.

Two more presses, one in Dewas, Madhya Pradesh, and one in Nashik, Maharashtra are printing ₹500 rupees notes.

**Step 2: RBI Issue Offices**

Once printed, the notes are transported to the 19 Reserve Bank of India issue offices in major cities across the country.

**Step 3: Currency Chests**

From the issue offices, the money is transported in high-security vans to more than four thousand currency chests across the country. Currency chests are operated by various banks.

**Step 4: Bank Branches**

Once a bank has the money in its currency chest, it can restock its bank branches in the surrounding area.

**Step 5: ATMs**

From the bank branches, money is taken to nearby ATMs.

The currency management infrastructure of RBI consists of a network of 19 issue offices, 4,034 currency chests:

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Currency Chest</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India (SBI)</td>
<td>1,893</td>
</tr>
<tr>
<td>Nationalized Banks</td>
<td>1,198</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>168</td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>4</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>4</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>5</td>
</tr>
<tr>
<td>State Treasury Offices (STOs)</td>
<td>7</td>
</tr>
<tr>
<td>RBI</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>4,034</td>
</tr>
</tbody>
</table>

*Source: RBI Annual Report 2016-17*
To facilitate the currency distribution process the Reserve Bank adopted a hub and spoke model for distribution of banknotes across the country. Printed new currency notes were sent to larger currency chests, which meet the currency needs of a designated area (such as a district), identified as hub chests and these, in turn, supplied notes to smaller currency chests in their vicinity which acted like spokes in the distribution model. Fresh notes were distributed to every issue office of the Reserve Bank as per a planned allocation.

According to Centre for Monitoring Indian Economy (CMIE), the government and the Reserve Bank of India are estimated to bear a cost of Rs 16,800 crore, largely on account of printing new currency notes and transporting them to banks, ATMs and post offices (the cost of printing the new notes is expected to be around Rs 15,000 crore). The remaining Rs. 1,800 Crore is assumed to be spent on transportation of currency to banks, ATMs and post offices.

Cost of Recalibration of ATM Machines
According to an article published in “Business Line”, ATM service providers lost nearly ₹400 crore between November 2016 and June 2017 due to demonetization.

There are around 2.4 lacs ATM machines in India. Each ATM machine has four cassettes and banks decide on which denomination of the currency is to be put in each of them and then accordingly recalibration is done.

Before demonetization, out of four cassettes one cassette was configured for ₹1,000 notes, two for ₹500 notes, and one for ₹100 notes.

After the announcement of Government to pull out ₹1,000 and ₹500 notes from circulation, the cassettes were to be recalibrated to dispense the new ₹2,000 and ₹500 notes, and ₹100 notes. Recalibration involves the efforts of Banks, ATM manufacturers and cash management & logistics companies.

According to Managing director of NCR Corporation India, (ATM manufacturer and service provider) Mr. Navroze Dastur, the average cost of recalibration one ATM machine is approximately 3000-4000. After the announcement of Government, The Reserve bank ordered banks to recalibrate their ATMs in a very short duration to accommodate new Rs 500 and Rs 2,000 notes. This further increases the cost.

As per the above information, if the cost of recalibration of one ATM machine is around 5,000, the total cost of recalibration of 2.4 lacs ATM is 120 Crore.

Cost of Destroying Old Currency Notes
When Government of India announced to cancel the legal tender of 1000 and 500 rupee notes, it was considered a very bold move. It was assumed that this move will curb the black money and will help to eradicate the corruption pervaded in the economy. But, according to the data released by RBI and other government agencies, it seems that the decision of demonetization backfired to Government. It brought costs more than the benefit.

According to Reserve Bank of India’s (RBI) annual report, 98.96% of Rs 500 and Rs 1000 notes (by value) that were invalidated due to the demonetization exercise had been returned by the end of June. Value wise, it is around 15.28 trillion.

Now the bigger challenge is to deal with more than 23 billion worthless bank notes. If all the notes are stacked one on top of the other, the pile would be 300 times the height of Mount Everest. If we form a pathway using these old notes it’d be long enough to reach the moon and back five times.

Most of the junked notes will be destroyed and dumped as per the usual process of RBI. The reserve bank of India follows a mechanized process to sort and destroy old notes. Until 2001, the soiled and torn currency notes that were taken back were subjected to a manual system of verification by RBI’s staff. The non-issuable notes later used to be burned. This process was inefficient and burning of old notes was not environment friendly activity. In 2003, a system of mechanized sorting and subsequent destruction was introduced to perform this activity. The soiled notes are examined, sorted and unfit notes then disposed off under the currency verification and processing system (CVPS). There are 27 shredding and briquetting machines in 19 offices of the RBI to perform this activity.

Due to unavailability of authentic data it is difficult to calculate the actual cost of sorting and destruction of old 1000 and 500 rupee notes, but if we assume that it takes 50 paisa to destroy one old note, then the expenditure on sorting and destruction of all 23 billion notes will be around 11.5 billion rupees or 1150 crore rupees.

If we sum up the Cost of Printing and Distribution of Currency, Cost of Recalibration of ATM Machines and Cost of Destroying Old Currency Notes, the total cost of demonetization comes out to be Rs. 4,753 crore.

IV. IMPACT OF DEMONETIZATION ON VARIOUS ECONOMIC VARIABLES
November 08, 2016 has been a remarkable day in the history of India when prime minister Mr. Narendra Modi made an announcement of demonetization of Rs. 500/- and Rs. 1000/- notes. Making this announcement, it was said that this decision will surely improve the health of economy. The demonetization of
currency notes was expected to be an attack on black money, on fake notes, and projected as a powerful and bold move by the Government. A year later, it seems that the objectives of this decision are missing and there is no or very low progress on all these aspects, and this creates a situation where we are compelled to question whether this exercise was reacquired at all to fulfill its stated aims. Let us examine this decision on the criterion of data with respect to some economic variables.

**Impact of Demonetization on GDP**

The Indian economy is cash driven economy and demonetization greatly affected its growth rate. Due to unavailability of cash in the hands of the common people, the consumption (a major component of GDP) fell down sharply and the GDP growth rate which was 9.2% in the beginning of 2016 went down to the 2 years lowest level at 5.7% during July, 2017. Although growth rate has started picking up again but it will take more time to adjust and regain its original level. As per the Economic survey 2018, “a pick-up in growth to between 7 and 7.5 percent in 2018-19 can be forecasted”. It projects that the economy will grow by 6.75 percent in 2017-18 (FY18), 6 percent in H1 FY18 and 7.5 percent in H2 FY18.

![India GDP Annual Growth Rate](chart.png)

**Impact of Demonetization on Unemployment**

India is a country where number of job seeking people has always been high. As per information available on the official website of the Centre for Monitoring Indian Economy (CMIE), there are currently nearly 31 million unemployed Indians looking for jobs.

According to data the unemployment rate in India increased to 6.1% in the week ended on February 25, as compared to 5%. This 6.1% figure of unemployment rate is the highest monthly rate in the past 15 months. The unemployment rate went to a level of 3.4% in July 2017. The unemployment rate was adversely hit by the historic decision of demonetization of almost 80% currency in circulation. About 1.5 million jobs were lost during January-April 2017. The estimated total employment during the period was 405 million compared to 406.5 million during the preceding four months, September-December 2017. These estimates are based on consecutive Waves of CMIE’s Consumer Pyramids Household Surveys (CPhIS). These are all-India household surveys over a sample size of 161,167 households that included 519,285 adults. The most recent Wave was conducted over the four month period of January through April 2017.

Unemployment Rate Jan, 2016 to Mar, 2018

<table>
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<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
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<td>4.9</td>
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<td>2018</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
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*Source: Bureau of Labor Statistics*
Consumer confidence is an important driver of economic growth and is considered as a leading economic indicator of household spending on consumption. Consumers tend to increase consumption when they feel confident about the current and future economic situation of the country and their own financial conditions. In economies such as India and the US, where personal consumption accounts for more than 60% and 70% of GDP respectively, consumer confidence has a particularly significant impact on the economy.

The Reserve Bank released the results of the March 2018 round of the Consumer Confidence Survey (CCS). The survey was conducted in six metropolitan cities - Bengaluru; Chennai; Hyderabad; Kolkata; Mumbai; and New Delhi and obtained 5,297 responses on households' perceptions and expectations on the general economic situation, the employment scenario, the overall price situation and their own income and spending.

The survey results showed that consumer confidence has gone down again in March, 2018 after showing some improvement in December, 2017. The current situation index (CSI) has remained in the pessimistic zone since March 2017, while the future expectations index (FEI) followed a similar trajectory.

The survey further reveals that Households’ current perceptions on the general economic situation dived sharply from the neutral level polled in the last round; their one year ahead outlook also deteriorated, but remained in the optimistic domain.

Source: Bombay Stock Exchange (www.bseindi.com)

Impact of Demonetization on Consumer Confidence Index
The consumer confidence index slipped to its lowest in last four years at 91.1 in November, 2017 after the major event of demonetization.

V. CONCLUSION

After deep insights of demonetization it can be concluded that the decision of demonetization was a cure worse than disease. It hit Indian economy very hard. India is a country which runs on cash and demonetizing major portion of currency created a cash crunch in the economy. Since people were not having currency, they were not able to arrange basic necessities. The demand went down and that created problem of Unemployment. Moreover replacement of old currency with new currency was a costly affair and it created a burden on Indian economy. The objective of recovering black money got failed as all the money in circulation was deposited in RBI. It was a decision taken in a hurry and could not be executed well. There were not enough preparations to implement this decision.

VI. REFERENCES