

DEMONETIZATION AND ITS IMPACT: A STUDY ON INDIAN FMCG SECTOR

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[Demonetization of all the Rs.500 and Rs.1000 denomination banknotes is an attempt to curb black money, fake notes and to achieve other ancillary objectives. Numerous debates have been held over this move and various pros and cons of demonetization have come into picture. Against these backdrops, in this paper it is tried to find out the immediate effect of demonetization on the FMCG sector. It is likely that immediate cash crunch arising out of demonetization is likely to impact the sales and other performance of FMCG Companies. Analysis is made on the quarterly performance on the selected FMCG companies and annual reports are thoroughly scrutinized to find out the views of the companies concerned on demonetization and its effect. The content analysis is made by searching for terms Like "demonetization", cash-crunch cash shortage etc. The analysis reveals that most of the sample companies have made some disclosure in the annual report on demonetization. Our analysis reveals that for 7 companies there is absolute negative growth in sales and for 4 companies sales growth is lower as compared to sales growth of corresponding quarter of previous year in respect of December end quarter.]

Keywords: Demonetization, Economic Impact, FMCG]

Introduction

An overnight decision changed the life of many. On November 8, 2016 the Prime Minister of India, Narendra Modi announced the demonetization of all the Rs.500 and Rs.1000 denomination

banknotes of the Mahatma Gandhi Series. The sudden nature of announcement created momentous crumble up throughout the economy alongside threatening economic output. Even

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though the objectives of this sudden announcement by Govt. of India was to close down black money and to stop the use of counterfeit cash to fund illegal activity, terrorism and facilitate trade, the incarnation was not overwhelming to the common people as well as the marketers.

The move to demonetize Rs.500 and Rs.1000 notes was designed to yank 86% of the currency out of circulation; it also led to a few dozen deaths. RBI, one framed for credible statistics, yet to come out with appropriate data on the effect of this major financial experiment. While some are under the belief that it is a very bold and planned move, the others believe that the move was quite foolish and highly unsuccessful. Numerous debates have been held over this move and various pros and cons of demonetization have come into picture. It is argued that this step has not given the desired result in front of eradication of sizeable portion of "Black money" and increasing Govt. tax revenues. The main causality is GDP growth rate as it has decreased by at least 50 basis points during the quarter following demonetization.

Irrespective of it being a success or a failure, demonetization will definitely leave a huge mark on the Indian economy and affect the Indian markets for the coming years. Therefore, it is highly important to analyze the move in all aspects.

Against these backdrops, in this paper it is tried to find out the immediate effect of demonetization on the FMCG sector. It is likely that immediate cash crunch arising out of demonetization is likely to impact

the sales and other performance of FMCG Companies.

FMCG sector is the fourth largest segment in the Indian Economy. Whereas, food products is the leading segment, accounting for 43% of the overall market, personal care 22% and fabric care 12% come next in terms of market share. Sudden cash crunch made the people helpless. Banning notes created an impact not only shopping of FMCG; S&P BSE FMCG Index declined almost 6% after demonetization.

It is attempted to study the effect of demonetization and for this purpose analysis is made on the quarterly performance on the selected FMCG companies and annual reports are thoroughly scrutinized to find out the views of the companies concerned on demonetization and its effect. The rest of the paper is designed as follows. Section 2 briefly discusses about concept of demonetization and history of demonetization in Indian context. Section 3 reviews the available literature. Section 4 discusses about macro impact of demonetization and its impact on FMCG sector. Section 5 reports the results of content analysis of annual reports of the sample companies. Section 6 gives the results of the quarterly performance analysis of selected FMCG companies and Section 7 concludes the paper.

Demonetisation: Concept and History

Concept

Demonetization is the process of withdrawal of certain form of currency from circulation in the economy. The

process either involves complete withdrawal of a particular form of currency or its replacement with a new one. Through demonetization the old currency is replaced by the new currency or a currency circulation is blocked. There are multiple reasons why a country demonetizes its currency; some reasons include to check the inflation, to curb black money to curb the corruption and to promote the cashless transactions.

History

India went through the scourge of demonetization not once but thrice. Narendra Modi commented on the demonetization “the time for India and its citizens to go through a ritual cleansing has come and we all need to be purified in hopes of a better nation”.

The first wave of demonetization occurred in the year 1946, on 12th January notes of the denominations Rs.1000 and Rs. 10,000 which were in circulation were demonetized primarily to stop unaccounted money. The government through this drive collected Rs.134 crore of the total Rs.143 crore available in the market (according to RBI estimates), only Rs.9 crore was not exchanged therefore demonetized.

It turned out to become more like a currency conversion drive as the government couldn't achieve much of profit in the cash-strapped economy at that time.

The second wave of demonetization happened in the year 1978, during the reign of Moraji Desai, when the Wanchoo Committee appointed by the government

decided to recall the re-introduced Rs.1,000, Rs.5,000 and Rs.10,000 entirely from the cash system as the country was going through a difficult time.

- The third wave is the present one that was announced on November 8, 2016 and through the move specified bank notes of denomination Rs 500 and Rs. 1000 were cease to be legal tender. With demonetization effort 86% of India's currency was nullified that aimed to wash the stock of 'black market's cash supply' and counterfeit notes out of the economy and convert it into the licit, banked and taxable part of the economy. To be specific, the stated objectives of demonetization are:

- Curbing Black Money – about 5 Lakh Crore of Money out of 15.4 Lakh Crore demonetized was expected to be curbed through this move.

- A check on terrorist. The idea was to leave the terrorists cashless and try to curb the terror attacks.

- A check on Naxalites.

- To get make the stacked money rotate in the market.

- Achieve lower rates of interest and thus, higher growth rate.

- Few other ancillary and incidental objectives.

It remains to be a moot question, how far the stated objectives are achieved.

Literature Review

The issue of demonetization is not new but in Indian context demonetization in

such a massive scale was never attempted. For the purpose of better understanding about the state of research in the area we have divided the topic into following sub -topics and entire studies are grouped accordingly. The sub-topics are as follows:

1. Concept and Policy Issues
2. Economic Impact

Concept and Policy Issues

DasGupta (2016) made a detailed study covering theoretical aspect of demonetization. With the aid of simple theoretical tools (e.g., IS-LM Equilibrium) the author concluded that the short to medium run scenario arising from demonetisation may not be too rosy. It is also argued that if corruption cannot be addressed we may very well end up with a scenario where new black money will drive out old black money from the system. Waknis (2017) uses segmented markets model to provide some theoretical perspectives on demonstration. The author also elaborated the likely impact that may arise due to the formal -informal structural duality of the Indian Economy. Based on the use of the model, the author concludes that impact on output or real GDP may not be dramatic but the human impact in terms of reduced consumption, employment and wages would be experienced by larger section of population. Ghosh (2017) develops a macro-theoretic model to examine the likely impact of demonetization in India. Conclusion of the paper is similar to that of Waknis(2017).The paper argues that

due to formal-informal sector linkages contraction in unorganized sector will be felt on the organized sector as well. It is also concluded that the move of demonetization is likely to leave most of the accumulated black wealth unaffected. Kohli and Ramkumar (2016) analyse the economic rationale of demonetization using secondary data and theoretical arguments the author concluded that the objectives of demonetization may not likely to be made. Authors argued that (1)the extent of circulation of counterfeit notes in the Indian economy is exaggerated;(2) the claims of unearthing large amounts of black money is unfounded and based on a poorly informed view of what constitute black money.(3) no improvement in government finances may be expected due to demonetisation.(4) it is unlikely that interest rates in the economy may fall as a consequence of demonetisation; and(5) the movement into a less-cash economy may neither lead to the shrinkage of the shadow economy nor reduce corruption, and, instead, may open up new spaces of surveillance and inspector raj.

There are many studies which are narrative and do not employ any empirical analysis to draw conclusion. Most of these studies are discussion of different perspectives on recent demonetization (Shelar, 2017; Kaur, 2017; Muthulakshmi and Kalaimani, 2016). A few papers deal with process adopted by the Government to implement demonetization or to mitigate hardship of people arising on demonetization. (Yohavarshini *et. al.*, 2017; Chelladurai and Sornaganesh, 2016)

Veer Kumar (2017) made an attempt to find the impact of demonetization on the public by taking sample of 100 respondents. Results indicate that respondents ranked prevention of corruption as the most important outcome of demonetization followed by terrorism.

Economic Impact

Vedarshree Mali(2016) made an attempt to assess the impact of demonetization on some sectors like micro-business, e-wallet and on-line retailing. The author has used secondary data collected from newspapers and online sources to perform an empirical analysis. Geeta Rani(2016) has emphasized on the problems faced by small shopkeepers during the time immediately following demonetization and the author also has touched upon the behavioural shift on consumers towards electronic payment means.

Kamudha & Laxmi(2016) have endeavoured to explore the acceleration in digital marketing through review of articles, books ,news reports and journals and have pointed out the role of technology in digital marketing. The plight of poor people involved in informal sector in shifting to electronic means of transaction is highlighted by Sinha and Rai(2016). Manpreet Kaur(2017) highlights the outcomes in banking sector from the impact of demonetization and has discussed the pivotal role of online transfers and e-clearances. Kaur and Kaur(2017) have revealed the existence of high value cash transaction in FMCG sector, which initiated a jolt in

transactions leading to decline in BSE FMCG Index. The authors have presented empirical evidences of percentage decline in sales in Biscuits, snacks, soaps, shampoos, skins and hair products and detergents

Demonetisation: Economic Impact

We have bifurcated our discussion in two sub-sections viz., macroeconomic impact and impact on FMCG sector.

Macro-economic Impact

According to the RBI study (RBI, 2016, P.2) the growth of gross value added (GVA) is likely to be impacted due to liquidity shock. The channels through which impact is expected to happen are:

- a) Decline in demand due to shortage of cash to make payments, mostly on discretionary spending; and
- b) disruption in production activity due to man hours lost as some workers , especially those in the unorganized sectors who get their wages paid in cash, experienced temporary loss of work.

It is also accepted that the loss of wage income for workless is also expected to have caused a drag on consumption demand. It is a shocking revelation. It proves that the effect of demonetization is likely to be felt more on marginal section of the society e.g., migrant workers, landless labours in the agricultural sector etc. .Regarding growth, the study acknowledges that GVA growth of 2016-17 will be lower by at least 50 basis point (7.6%to 7.1%) taking cue from the Fourth and Fifth Bi-monthly policy Statement released on October 4,2016 and December

7,2016 respectively.

Thereafter it is stated that growth is likely to go down further to 6.9% on the basis of 6th Bi- Monthly Policy Statement on

February 08, 2017. According to the RBI study, the adverse impact is felt across organized and informal sector. Table No. 1 summarize the growth projections for 2016 - 17.

Table 1: GVA Growth Projections for 2016-17

(y-o-y growth in percentage)

	Q1	Q2	Q3	Q4	2016 - 2017
RBI : October 04, 2016 (Communicated in Monetary Policy)					
GVA at basic prices	7.3	7.6	7.7	7.7	7.6
RBI : December 07, 2016 (Communicated in Monetary Policy)					
GVA at basic prices	7.3	7.1	6.7	7.2	7.1
RBI : February 08, 2017 (Communicated in Monetary Policy)					
GVA at basic prices	7.3	7.1	6.2	7.0	6.9

Source: RBI, 2016; Results computed.

The slowdown can be measured through other indirect indicators. Index of Industrial Production contracted by 1.7% in December 2016. Growth in Service Tax

Collections used as a proxy of GVA decreased significantly in December 2016 and January 2017. Table 2 summarizes the position of some lead indicators

Table 2: Leading Indicators of Economic Activity

(y-o-y growth in percentage)

Indicators	Apr-Oct	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17
Indirect tax collection	24.7	23.4	36.5	20.2	13.9	15.3
Service Tax Collection by the Centre	25.2	29.6	43.9	13.1	12.1	5.3
PMI Manufacturing (Index)	52	54.4	52.3	49.6	50.4	50.7
IIP	-.3	-1.9	5.7	-.1	2.7	NA
Manufacturing	-1	-2.4	5.5	-1.7	2.3	NA

Indicators	Apr-Oct	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17
PMI Services	52.6	54.6	46.7	46.8	48.7	50.3
Merchandise Exports	.2	9	2.4	5.5	4.3	NA
Merchandise Imports	-9.8	8.3	9.4	.1	10.7	NA

Source: RBI, 2016; Results computed.

Apart from RBI, other external agencies also projected the GDP growth and their estimates pointing towards contraction.

Table no 3 summarize the growth projection of external agencies.

Table 3: GDP Growth Estimates by Various Agencies

(y-o-y growth in percentage)

Agency	2016-2017		2017-2018	
	Pre Demonetization	Post Demonetization	Pre Demonetization	Post Demonetization
IMF	7.6	6.6	7.6	7.2
World Bank	7.6	7	7.7	7.6
ADB	7.4	7.0	7.8	7.8
Economic Survey - Govt of India	7.0 - 7.75	6.5 - 6.75		6.75 - 7.5
Morgan Stanley	7.7	7.3	7.8	7.7
HSBC	7.4	6.3	7.2	7.1
Nomura	7.8	7.1	7.6	7.1
Goldman Sachs	7.6	6.3	-	-
ICRA	7.9	6.8	-	-
Care Ratings	7.8	6.8	-	-
CRISIL	-	6.9	-	-
FITCH	7.4	6.9	8.0	7.7
BOFA-ML	7.4	6.9	7.6	7.2

Source: RBI, 2016

Overall the results are not very encouraging. But according to RBI, there will be rebound and the phase of contraction is likely to be transient (RBI, 2016, p.10).

Impact on FMCG Sector

According to the RBI study, there were

impact on majority of sectors but due to positive impact on certain sectors like electricity and mining, organizational sector on the whole remained resilient.

The impact was severely felt in FMCG sector, automobile sales export, durable consumer goods etc. Table 4 gives a summarized view of sectoral impact.

Table 4: Lead Indicator of Economic Activity - Sectoral Impact

(y-o-y growth in percent)

Indicators	Apr-Oct	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17
Mining	-2	-9	3.7	5.5	5.3	N.A
Electricity	4.5	1.1	8.9	6.3	3.9	N.A
Automobile Sales	15	8.1	-5.5	-18.7	-4.7	.9
Commercial Vehicle Sales	6.9	11.9	-11.6	-5.1	-.7	7.3
Passenger Vehicle Sales	11	4.5	1.8	-1.4	14.4	9
3 Wheelers Sales	11.8	4.4	-25.9	-36.2	-28.2	-21.4
2 Wheelers Sales	16	8.7	-5.9	-22	-7.4	0
Cement Production	4.8	6.2	.5	-8.7	-13.3	NA
Merchandise Exports	.2	9	2.4	5.5	4.3	NA

Source: RBI, 2016; Results computed.

As the main objective of the study is to consider the impact on FMCG Sector, we analyze the impact on FMCG sector in detail. In RBI study, FMCG sector is not consider in detailed but the study has accepted that FMCG sector has witnessed decline in the sales referring to the survey by Nielsen.(RBI,2016,P.4).Hence, we concentrate on Nielsen Survey (Nielsen, 2016) to have an idea about the impact on FMCG sector.

According to Nielsen Survey (Nielsen, 2016)there is 1 to 1.5% net impact of demonetisation on the basis of comparison of monthly growth between October-November2015 and October-November2016.(Table-5).But in value term the drop is likely to be in the range of Rs.2560 crores to Rs.3790crores considering the size of FMCG industry(Rs..256000crore).

Table 5: Overall Impact on FMCG Sector

(Growth in percentage)

Particulars	Nov 15 v/s Oct 15	Nov 16 v/s Oct 16	Differences (Net Impact)	Loss
Consumer Sales (Value)	-0.6	-1.8	-1.2	Consumer Sales Loss
Retailer purchase from Trade (volume)	-4.8	-6.4	-1.6	Trade loss

Source: Nielsen, 2016; Results computed.

The Nielsen survey relates to October and November 2016. According to the survey, the impact is likely to be creeping in December, 2016 as retailer purchases have witnessed a faster decline than consumer sales. The survey noted that impulse foods and personal care products were the most

affected in terms of consumer demands. (Table-6). Increase in packaged grocery sales may not be a pointer towards growth, rather it is due to a shift of purchase from unorganised retailers to organised retailers.

Table 6: Consumer Sales Growth (Nov 16 v/s Oct 16)

Categories	Growth(%)
Impulse Foods	(-)5.0
Personal care (excluding skin cream)	(-)5.0
Household Cleaning	(-)2.9
Hair Care	(-)2.4
Cooking Medium	(-)0.2
OTC	0.3
Packaged Grocery	2.4

Source: Nielsen, 2016; Results computed.

Regarding retailer purchase from trade, the grocer channel witnessed a decline of 2.1%. The impact on Paan shop channel

was more severe and it witnessed a decline of 3.6%

Table 7: Impact Retails Purchase from Trade Across Channels

Channels	Growth (%)
Paan Plus	(-)3.6
Grocers	(-)2.1
Cosmetics	0.5
Chemists	2.4

Source: Nielsen, 2016; Results computed.

Nielson Survey has also decoded the consumer sentiment and the finding were quite revealing.

The findings may be summarised below.

1. Decline in overall spending-One out of five housewives has reduced spending by 50% or more. Housewives and students were the maximum burnt of demonetisation.
2. Shift in the channel of choice for grocery purchase-Every second consumer has shifted from traditional route to modern retail or online purchase.
3. Changes in brand or quantity-Housewives have nationalized their choices by shifting brands and working professionals and students are opting to smaller packs but maintaining loyalty to brands.

In the next section we analyse the disclosures of organised FMCG industry through annual reports regarding the impact of demonetisation.

Disclosure in Annual Reports

We have considered FMCG sector to study the effect of demonetization on the performance of the sample companies.

The demand on the FMCG goods being daily necessity, the consumption is generally unavoidable. Hence, if there is any effect on sales and other performance related variables demonetization may be a causal factor.

For the purpose of selection of sample we have consider BSE FMCG Index. There are 69 companies in the index and we have ranked the constituent of the index on the basis of market capitalization, as on 30th June 2017 and we considered the top 15 companies on the basis of market capitalisation.

The content analysis is made by searching for terms Like “demonetization”, cash-crunch cash shortage etc. The analysis reveals that most of the sample companies have made some disclosure in the annual report on demonetization.

The place of disclosure varies among sample companies .Directors’ Report(DR) and the Management Discussion & Analysis (MD&A) are the most used sections of the Annual Report for such disclosure. Some companies mentioned the issue in Chairperson’s Letter(CL) also. Table 8 gives results of our analysis regarding place of disclosure.

Table 8: Place of Disclosure

Particulars	No .of companies	Percentage
Disclosure in DR,MD&A,&CL	4	26.67
Disclosure in DR,MD&A	1	6.67
Disclosure in DR	1	6.67
Disclosure in CL	1	33.32
No disclosure	3	20
Disclosure in MD&A	5	6.67
	15	100

Source: Annual Reports of sample companies. Results computed

Results indicate that MD&A section is the most preferred section. A good number of companies (26.67%) used all the three sections viz, Directors' Report, Management Discussion & Analysis & Chairperson's Letter.

Nature of Disclosure

Discussion on demonetization in the Annual Reports mainly hovers around the effect of demonetization on the performance of the company and its future impact. Most of the company acknowledges through their disclosure that there are impacts on sales due to demonetization . Some sample disclosures are given below:

1. Colgate-Palmolive India ltd

Demonetization affected sales adversely during the third quarter with some spillover into the fourth quarter. Your Company responded by selectively extending credit terms, advancing

processing of claims and 14 invoices as well as running additional schemes to maintain robust distribution. (Directors' Report 2016-17)

2. Marico

The single biggest event that left its mark on each and every sector of the domestic economy was demonetization. Coming at a time when the economy was just beginning to look up, the Central Government's decision to demonetize almost 86% of the currency notes in circulation caused severe cash shortage in the domestic economy, where cash is the preferred mode of payments. This cash shortage led to a strain on the consumption demand and business activity for the greater part of the third quarter but your Company was able to pull off a fast recovery in Quarter 4. (Management Discussion & Analysis, 2016-2017)

3. ITC

Your Company's FMCG-Others Businesses Segment Revenue growth during the year was relatively subdued due to reasons as aforesaid. While most categories recovered progressively after severe disruption in operations in the initial period of the cash crunch, the impact on the Lifestyle Retailing and Education & Stationery Products Businesses was more amplified and prolonged. (Directors Report', 2016-17)

4. Nestle

With a slow start in 2016, the economic momentum recovered towards the middle of the year. While this growth momentum was temporarily impacted with demonetization, the India economy appears to be recovering fast and will continue as one of the fastest growing nations. (Directors Report', 2016-17)

Consumers are opting to spend on necessities rather than on discretionary items. The FMCG industry remained under pressure because of subdued consumer sentiments. Earnings for most companies were soft through the year and they struggled for volume growth.

It is also observed that few companies are optimistic about the future performance post demonetization. In the Chairman's statement, Godrej Consumer Products Ltd. mentioned that,

"As we look ahead, I feel confident of

strong growth in the medium to long term. Over the last year, the government has made several efforts to further revive the Indian economy. Demonetization, while causing challenges for a few months, has led to a significant push towards digital financial transactions, as well as improving compliance. Post the re-monetisation of currency; we are seeing a good recovery in FMCG demand. - Adi Godrej, Chairman Emeritus."

On overall basis, regarding impact of demonetization the disclosures reveal that out of 12 companies making disclosure 6 companies have faced decline. 2 companies have claimed that they have withstood the pressure of demonetization effectively. The extract from the report of one company is given below:

"When most others were hard hit during demonetization due to cash crunch, we outperformed the industry by growing our market share, media presence and distribution network. At KRBL, our business model enables us to... Outdo, outlast, outshine and outperform." (KRBL, Annual Report 2016-17)

The company may be an out performer due to shift of the consumer to the branded segment (Nielsen, 2016). The company being a player in the branded rice segment, a daily necessity item, it is a beneficiary of demonetisation. Table 9 gives an overall view of the impact reported by the sample companies.

Table 9: Disclosure in Annual Report on Impact of Demonetization

Particulars	No. of companies	Percentage
Sales Decline	4	26.67
Overall Impact	2	13.33
Moderate Growth	2	13.33
No Impact	4	26.67
No disclosure	3	20
Total	15	100

Source: Annual Reports of sample companies. Results computed

Quarterly Performance Analysis

We have analyzed quarterly results of sample companies to understand the impact of demonetization. As some of the sample companies are diversified, the quarterly results may not be reflective of their performance in FMCG front. Nevertheless, it is felt that such an exercise will reveal hard facts about the impact of demonetization on FMCG sector. We have considered following performance areas for our analysis

1. Sales
2. EBITDA

For sales & EBIDTA we could make analysis for two quarters viz., quarter ended 31st December, 2016 and quarter

ended 31st March, 2017.

Our analysis reveals that for 7 companies there is absolute negative growth in sales and for 4 companies sales growth is lower as compared to sales growth of corresponding quarter of previous year in respect of December end quarter. Such comparison is adopted instead of comparison of sequential (quarter to quarter) growth to account for seasonality issue. For March end quarter such absolute negative growth is witnessed for 5 companies. EBITDA has also witnessed a decline in growth in the two quarters under analysis. Table 10 & 11 summarize the results of our analysis.

Table 10: Quarterly Sales Growth

	Q/E31.12.2016		Q/E31.3.2017	
	No. of companies	Percentage	No. of companies	Percentage
Decline in sales Growth	4	26.67	1	6.67
Improvement in sales Growth	4	26.67	9	60
Absolute negative growth in Sales	7	46.66	5	33.33
Total	15	100.00	15	100.00

Source: Quarterly Results of sample companies. Results computed.

Table 11: Quarterly EBITDA Growth

	Q/E 31.12.2016		Q/E 31.3.2017	
	No. of companies	Percentage	No. of companies	Percentage
Decline in EBIT Growth	7	46.67	1	6.66
Improvement in EBIT Growth	2	13.33	7	46.67
Absolute Decline in EBIT	6	40.00	7	46.67
Total	15	100.00	15	100

Source: Quarterly Results of sample companies. Results computed.

Conclusion

Demonetization is a beneficial process even though it has some demerits that may render it unfavourable in various ways. However, before any demonetization program is carried out, it should be carefully thought and its impact on the poor should be considered. In this way, demonetization can be a chance for a fresh new start, or it can be something that causes unnecessary confusion for a country.

Even though demonetization move created adverse short-term policy impact the real impact of must be assessed in the medium/long term. The reduction in overall investments, both in the formal and informal sectors, would certainly reduce economic growth potential. However, the move needs to be followed up with ensuing actions to remain effective. These actions relate primarily to structural changes to make the system more lawful, reducing too much bureaucracy, make the tax system simple and transparent. In addition, a greater effort is required to include the informal

sector and ensure effectiveness and the illegal activities such as generation of black money and corruption should not be channeled back into the economy. In the end, it is time that will decide the impact of demonetization on the Indian Economy. All we can do for now is probably just wait and watch.

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