

# Demonetization Impact on various Sectors

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**Abstract**— This research paper aims to help in carrying out the survey of impact of demonetization in different sectors. In this paper, we are taking a look at how demonetization will impact the top sectors of nation’s economy. The impact of demonetization will be felt in different sectors with differing intensities and across varied time areas. Different affected sectors of demonetization namely like Real Estate, E-Commerce, and Banking, Automobiles, Pharma and Health care.

**Key words:** Demonetization, Impacts, Cashless Economy, Black Money, Corruption

## I. INTRODUCTION

The government of India decided to cancel the legal tender of 500 and 1000 rupee notes, the two biggest denominations in its currency system. This initiative has been taken by Prime Minister in an attempt to address the resolve against black money, terrorism, corruption misleading and to promote a cashless economy, which is also likely to impact on different sectors of the economy. It is a positive initiative for all of us to take out the black money from the Indian economy. The different sectors are getting affected such as real estate, service industries, startup companies, automobiles, Pharma and health care, e-commerce, banking and agricultures etc. Demonetization can be prove both positive and negative depends on the industry. In this paper, we have discussed about the impact of demonetization in different sectors in detail.

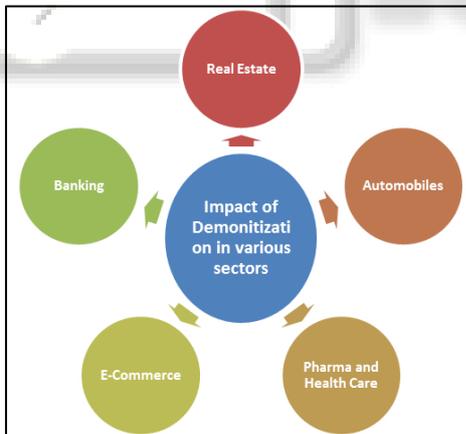


Fig. 1: Impact of Demonetization in various sectors

## II. DEMONETIZATION AT VARIOUS SECTORS

The different affected sectors of demonetization are as follows:

### A. Real Estate

Real Estate is arguably the most effected sector due to demonetization. Impact of demonetization is more prominent in unorganized sector comprising small builders and real estate agents. Due to demonetization, it has been assumed that the price will be reduced 30% -40% in property. In Real Estate sector, Demonetization will bring increased transparency

which is likely to improve the affordability at real estate in medium to long term.

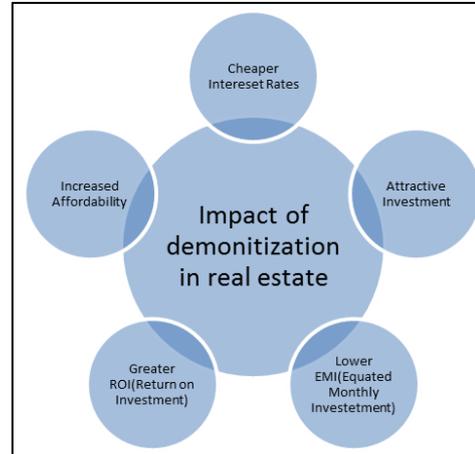


Fig. 2: Impact of Demonetization in real estate sector

### B. Banking

As announced by PM, the 500 and 1000 rupees note will not be legal tender. They have given the time period of 50 days for exchanging the whole currency which results in enhancement of liquidity position of Bank. It will reduce the dependency of Bank on higher cost borrowing. As a result there is scarcity of physical currency notes in the market which motivates the online transactions and alternate mode of payments.

For the short term it has been predicted that cash is not the safest asset as compared to the financial asset where returns are also higher.

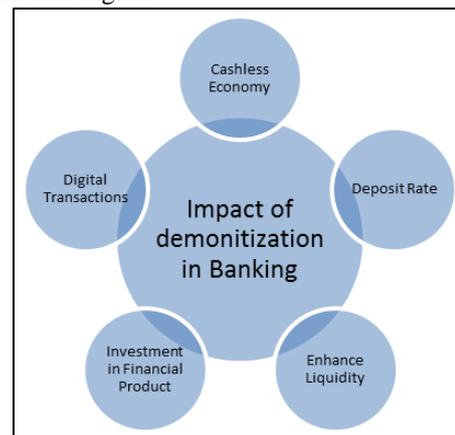


Fig. 3: Impact of Demonetization in Banking

### C. Automobile

After Demonetization, there was dip in BSE auto index of 2.5 percent on December 10, 2016. It is because, the potential buyer make their down payment in cash component in small cars segment, whereas if we see the two wheeler industry majority of buyers make payment in cash as there is a limited scope of loan/financial need the demand of 2 wheeler has decreases by 40% to 50% because of non-availability of cash into the market.

If we look into the tier 2 cities buyers generally prefer cash to buy the vehicles, so there is hit into the sale of 2 wheeler and 4 wheeler industry.

If we see the used car industry it is badly hit by this decision in short term as this industry is dependent on cash component and limited cash supply has given negative impact on this industry.

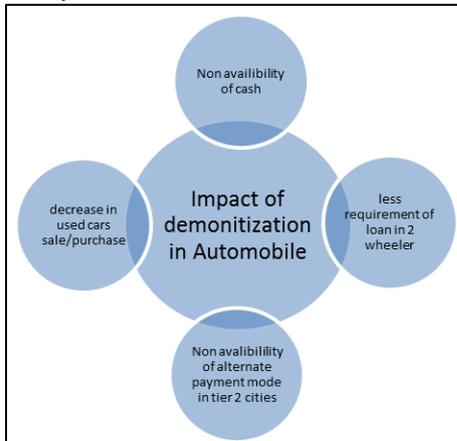


Fig. 4: Impact of Demonetization in Automobile sector

#### D. Pharma and Health Care

In Pharma Industry, There will be correction in prices of medicines as the increased use of plastic money. The employer has to show his profit in his ITR as a result he will charge nominal profit. Demonetization will also reduce the unethical practices happening in Pharma Industry whereas if we talk about health care industry it will motivate the people to avail the mediclaim facility.

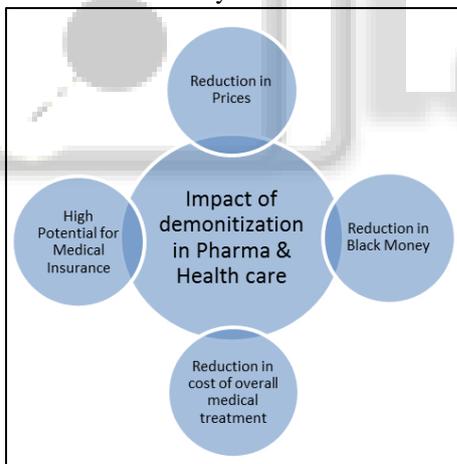


Fig. 5: Impact of Demonetization in Pharma and Health Care

#### E. E-Commerce

After Demonetization, Online Payment is one thing that has been growing at good pace. There has been a significant growth mobile wallet sector. Now a day's transferring money and making payments for online orders is very easy with mobile wallet instead of COD (Cash on Delivery) and online transaction do come with a lot of benefits.

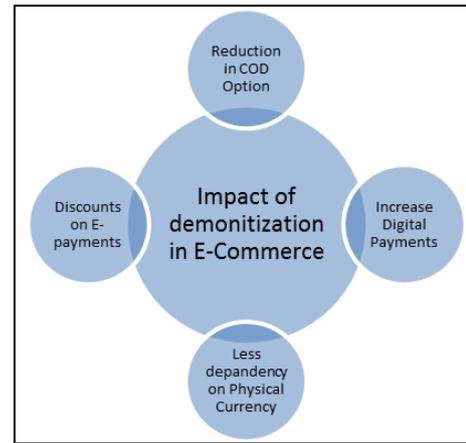


Fig. 6: Impact of Demonetization in E-Commerce

### III. CONCLUSIONS

Demonetization is very unique step taken by the government of India, earlier this step is taken by few of countries when there is a down fall in economy but this is the first time when this step is taken by the country when the economy is stable. In this paper we have discussed about the impact of demonetization in various sectors. It has been found that Demonetization limits the short term growth of various industries except banking sector whereas if we talk about long term growth of industries, it is very encouraging step. As it puts a parallel break economy that is called Black Money.

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