

Demonetization
humanities). in india
we see existence of



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Demonetization is not a gigantic catastrophe like global banking sector crisis of 2008. However, it will act as a liquidity shock to economic activities.

Globally cash transaction is an average of 85%. In some of the developed countries it is around 50%.

In India this ratio is at around 95% (IOSR Journal of Humanities). In India we see existence of large informal sectors and it contributes around 45% of gross value added in the economy. Some rating agencies have estimated a decline of around 40 basis points in GDP growth for 2016-17 and of a smaller magnitude in 2017-18. When we evaluate the growth of Indian economy we mainly find two reasons for this. They are the stock market and the other one, foreign investors.

The continuing wage increase in China and fairly liberalized capital markets concentrated their focus on India as a primary manufacturing hub. But demonetization made the foreign investors think twice whether to invest in India or not. This is also one reason why GDP growth is down. The ratio of currency to GDP in India, which averaged 8.4% during 1975-2000, crossed 10% for the first time in 2002-03 and has remained above this level since then.

But through the announcement of demonetization it has drastically come down (R. Gopalan, M. C. Singhi, Dec 2016). And demonetization affected all the large informal sectors so the income from these sectors was not in the economy which in turn impacted GDP growth. Indian population is very much depending on agriculture and their contribution to GDP is around 18%.

Demonetization has badly affected the agriculture sector and led to the recent decline of GDP growth.

To have an outlook for 2017-18, we need to examine each of the components of aggregate demand, export, consumption, private investment and government. India's exports seem to be recovering, based on an uptick in global economic activity. Given high elasticity of Indian real export growth to global GDP, exports could contribute to growth in the next year, by 1 percentage. Conception also is expected to its boost after the real two block.

Catch up of demonetization and the cheaper borrowing cost, which is likely to be lower than of 2016. Through the announcement of demonetization and implementation of GST will boost the private investment. Considering these factors into account the real GDP growth to be in the $6\frac{3}{4}$ to $7\frac{1}{4}$ percent range in FY 2018. The emphasis given in the Union Budget to curb the parallel economy, and the expected buoyancy in collection of direct taxes as per the budget estimates was expected to ultimately get manifested in greater formalization of the economy (RBI)