

Positive impact :-

- A good part of black money is eliminated from the economy. This money can be spent by Indian government for the development of country.
- Post-demonetization, Indian government blocked many routes for black money formation.
- With increased transparency, trust on Indian Economy is increased. Thereby foreign investments poured in.
- Amid the fears of government moves, everyone is now ready to pay the taxes. Hence more revenue for Indian government.
- Due to the heavy usage of cash transactions, informal sector is the worst hit by demonetization move. Though it suffered at first, many informal organizations are now turning into formal organizations, which means more transparency and more taxes for Indian Economy.
- Demonetization move encouraged cashless transactions, which is a boost to Economy.
- As people are more likely to keep their money in banks, savings will be increased.
- With more money in banks, loans will be available to more people. With increased loans, banks will be benefited by interests.

Negative impact :-

- GDP growth was earlier estimated as 7.8%. Post-demonetization, estimates are lowered to 7.1%.
- Agriculture sector, small and medium scale businesses and informal sectors are the worst hit by demonetization. It takes a lot of time for them to recover from the losses. This has a negative effect on Economy.
- There is no guarantee that demonetization move will turn India into a cashless economy.
- Consumer demand was hit by demonetization, hence retail inflation fell to 3.17% - a multi year low. With this, growth of economy will slowdown.

Conclusion :-

Though the GDP growth will get hit for the year 2017, the effects of demonetization move along with policies like Digital India, Benami Act, cap on cash transactions will spur GDP growth in the coming years.

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Do you think demonetization has a positive impact on Indian Economy? Express your thoughts in the comment section below.

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