



PROGRESS HARMONY DEVELOPMENT
Estd. - 1905

IMPACT OF DEMONETIZATION ON ECONOMY, BUSINESSES AND PEOPLE

SUGGESTIVE MEASURES FOR REMONETIZATION



PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, August Kranti Marg, New Delhi – 110016

Phone: 91-11-49545454, Fax 91 11 49545451,

Email research@phdcci.in, Website www.phdcci.in

Executive Summary

Impact on Economy

The immediate effect of demonetization of economy would probably be short-lived. However, the long term effect will drive the Indian economy to new areas of growth in the coming times with its impact not just only on black money, terrorism and corruption but also in improving tax compliance, better fiscal balance and lowering inflation. Though the contraction in GDP by 0.5% cannot be ruled out due to fall in economic activity, growth in demand will start gaining momentum once the economy moves out of the transition stage of demonetization to remonetisation.

- 1) **81% Respondents** said that there will be significant impact on India's economic growth in the shorter term but the benefits of demonetization will help in sustaining economic growth in the longer term.

Impact on Businesses

Demonetization drive has impacted the Indian businesses directly or indirectly in terms of impact on demand but the impact of demonetization is majorly seen on small businesses as these are highly driven by cash transactions. The labour-intensive sectors mainly agriculture and construction sector have been impacted since a major portion of transactions involve cash for the purchase of raw materials and payment to daily wage labourers.

MSMEs sector has been impacted significantly as the sector is majorly driven by the contractual and daily wage work force and most of the mobile work force don't have their bank accounts at the place of their working.

- 1) **73% Respondents** are facing huge cash crunch due to demonetization as they are unable to fulfill their daily requirements.
- 2) **88% Respondents** said that the impact of demonetization is majorly seen on the **Retail sector** because of high dependency on cash for purchase by customers.
- 3) **81% Respondents** said that the cash driven agriculture sector is impacted majorly due to demonetization.
- 4) **56% Respondents** said the impact of demonetization on the **Labour intensive sectors** (leather, mining, textile) is quiet significant

Impact on People

Demonetization has affected the short term consumption needs of the people basically belonging to the lower and middle class families for whom cash is the primary mode of payment for their day to day activities. Along with this, the direct impact of demonetization drive is seen on those who live in remote areas of country, having no bank accounts and no identification proofs.

- 1) **58% Respondents** are facing high level of difficulty in fulfilling their day to day activities
- 2) **92% Respondents** said that the major impact of currency crunch is seen on **daily needs** of the people such as purchase of eatables, dairy products and other necessities.
- 3) **89% Respondents** reported **unavailability of cash at banks and ATMs** as a major hurdle in withdrawing/depositing cash from the bank/ATMs.

Suggestive measures

- 1) There is a need of **setting up of digital literacy booths outside banks majorly in rural regions** for spreading digital literacy across all sections of the nation.
- 2) Government should **print more and smaller denominations such as Rs. 50, 100 and Rs. 500 notes** so that there should be sufficient circulation of money in the market.
- 3) Government needs to **ensure that the sufficient quantity of money is being transported to the banks and ATMs** in both rural and urban areas on time.
- 4) **Facility of mobile ATMs** in the Government, public sector and private corporate sector offices having more than 25 employees in their establishments.
- 5) **Cash driven sectors** such as construction sector and Small and Micro Units (SMEs) should be facilitated by **expanded cash limits** for the payment of salaries of their daily wage and contractual workers.
- 6) **Cash driven sectors such as construction sector and Small and Micro Units (SMEs)** should be facilitated by **expanded cash limits** to withdraw from the banking sector for the payment of salaries of their daily wage and contractual workers.
- 7) **Incentivize RTGS** (Real Time Gross Settlement) and **NEFT** (National Electronic Funds Transfer) **under the ambit of digital transfers** so that more and more people adopt the available facility and are less dependent on cash transactions.
- 8) **Enhance in the limits of Removal of service tax charged** while making payments through credit card, debit card, charge card or any other payment card up to Rs. 2,000 in a single transaction is a good start for the transformation from cash transactions to the digital transfers, however, the limit needs to be revised to Rs. 10,000.
- 9) **Increase in daily cash withdrawal limits from ATMs:** Daily cash withdrawal limit from ATMs should also be increased to Rs. 10,000 so that people are not coming in queue again and again.

Contents

Topic		Page No.
1.	Demonetization	5
1.1	Research Methodology	5
1.2	Survey on impact of demonetization on Economy	6
1.3	Survey on impact of demonetization on Businesses	7
1.4	Survey on impact of demonetization on People	12
1.5	Impact of digital transactions in the long run	13
1.6	Suggestive Measures	15

Demonetization

Government of India announced demonetization of the high value currencies of Rs. 500 and 1000 with an objective to unearth the black money and to curb the corruption, counterfeit currency as well as terror funding. This decision is considered as biggest cleanliness drive against the black money in the history of Indian economy whose benefits will be reaped in the long run. However, the impact of this sudden move is causing major cash crunch in the economy affecting day to day requirements of the common man and businesses.

Various analysts, experts and scholars have expressed their views regarding impact of demonetization on the economy and have estimated 0.5% - 3% impact on the Gross Domestic Product (GDP) of the country in the current financial year 2016-17.

Against this backdrop, PHD Research Bureau of PHD Chamber of Commerce and Industry conducted a survey to assess the impact of demonetization on the **Economy, Businesses and People**. The major objective of the survey was to know the feedback on the Economy, Businesses and People and to provide few recommendations to the Government for effective implementation of remonetization.

1.1 Research Methodology

PHD Chamber of Commerce and Industry conducted a survey covering 700 business firms from MSMEs and Large enterprises, operating in different states and sectors and received feedback from around 2,000 people. Around 50 analysts and economists provided their viewpoint on the economy.

Table: Process of data collection for Businesses and People

Questionnaire	Technique	Description	No. of respondents
Business Firms	Random sampling: Equal Probability of Selection Method of Sampling ⁽¹⁾	Responses were received across the country from the enterprises as follows: 1) Micro enterprises : 15% 2) Small enterprises : 35% 3) Medium enterprises : 30% 3) Large Enterprises : 20% The business firms surveyed are broadly from sectors viz. (1) Agriculture, (2) Automobiles, (3) Construction, (4) Gems & Jewellery, (5) Leather, (6) Media and Entertainment, (7) Mining, (8) Oil and Gas, (9) Retail, (10) Textile and Garments and (11) Tourism and Hospitality.	700

People	Random sampling: Equal Probability of Selection Method of Sampling ^[1]	Responses were received across the five major regions of India including : 1) Northern : 40% 2) Eastern : 12% 3) North-Eastern: 8% 4) Western :22% 5) Southern region :18% People from different strata of the society including age-groups, income levels, preferences and tastes were chosen to understand their socio-economic status	2,000
---------------	---	--	-------

Source: PHD Research Bureau, PHD Chamber Demonetization Survey 2016

[1] In this technique every individual, or object, in the population of interest has an equal opportunity of being selected for the sample.

1.2 Survey on impact of demonetization on Economy

According to RBI, banks have received almost Rs. 13 lakh crores in old 500 and 1,000-rupee notes upto December 10, 2016. Meanwhile, the banks have issued new currency notes valued at Rs. 5,92,613 crore to the public over their counters and through their ATMs(between 10th November – 19th December 2016. In this period, the RBI has issued to the public through the banks and their branches a total of 22.6 billion pieces of notes of various denominations of which 20.1 billion pieces belonged to small denominations of Rs. 10, 20, 50 and 100s and 1.7 billion belonged to higher denominations of Rs. 2000 and Rs. 500.

It has been observed that money deposited and money withdrawn has a deficit of Rs. 7,07,387 crore in the system which in the present situation is causing immense cash crunch in the economy ultimately affecting the day to day requirements of people and businesses across the country.

Summary of Withdrawal and Deposit Balance sheet in the wake of demonetization

Total deposits (1)	Rs.13,00,000 Crore
Remonetized money (2)	Rs. 5,92,613 Crore
Deficit (2-1)	(-)Rs.7,07,387 crore

Source: PHD Research Bureau, compiled from RBI

Production process not only in the informal sector but also in the formal sector has been impacted directly or indirectly. Cash driven segments such as fruits and vegetable markets, horticulture and floriculture, agricultural and food processing, construction activities, among others have been impacted. Non payment of wages to the workers of cash driven sectors has adversely impacted the employment situation in the informal sector. Also, the formal sector is impacted as demand in the economy has been decelerated significantly.

Majority of the economists (81%) said that there will be short-term pain for India's economic growth. But, the benefits of demonetization will go a long way with its impact not just only on black money, terrorism and corruption but also in improving tax compliance, better fiscal balance and lowering inflation which will help in sustaining economic growth in the longer term.

There will be an increase in savings and term deposits in the short run as a large part of the informal and cash-based economy will shift to the banking system for savings and investments. However, in the long run demonetization may impact savings in bank deposits as excess funds in the banks could force them to lower the interest they pay on deposits which would reduce the return of depositors. Further, it is expected that there could be a shift in other financial assets from bank deposits to stock, mutual funds, insurance and pension products if the return on small savings is higher than bank deposits.

It is expected that removal of black money from the system would create a good scope for reduction in interest rates via-a-vis lower inflationary expectations and reduce the incidence of direct taxation. People are expecting that the forthcoming budget will be unconventional and our Hon'ble Finance Minister is going to provide out of box benefits such as increase in the direct tax slabs and enhanced disposable incomes.

1.3 Survey on impact of demonetization on Businesses

Since businesses are the backbone of the economy, we conducted a survey to analyze the impact of demonetization on the business firms and to assess the impact on various sectors of the economy.

It has been observed that small firms are impacted majorly across all the sectors industries as these are highly driven by cash transactions. The survey revealed that majority of the business firms (73%) are facing huge cash crunch due to demonetization. We found that in the shorter period, some cash driven factories are unable to fulfill their day to day requirements such as payments for daily wage workers, purchase of raw materials since they are unable to withdraw cash from the banks because of many regulatory reasons. The survey revealed few challenges faced by the factories which include fall in attendance rates in the factories and rising production cuts.

The sectors which are majorly impacted by demonetization includes retail sector followed by agriculture sector, real estate, construction, media & entertainment, gems & jewellery, tourism & hospitality, labour intensive sectors and automobiles sector.

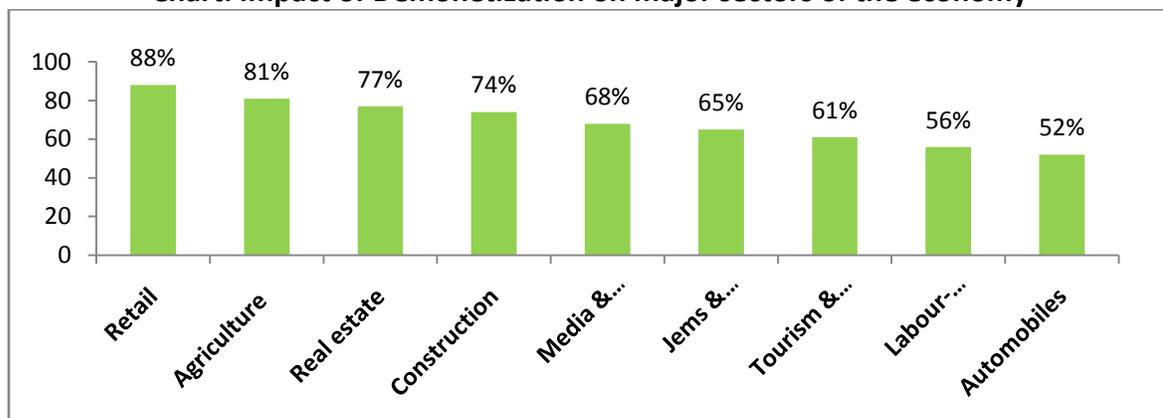
- 1. Retail** – The impact of demonetization is majorly seen on the retail sector since 88% respondents said that cash crunch is leading to low consumer demand of their products ultimately causing fall in their sales since Indian retail segment generates a lot of cash

transactions. The impact is comparatively higher on the small traders and the unorganized retailing segment.

- 2. Agriculture** – Majority of the respondents (81%) respondents unanimously responded that agriculture is impacted majorly since sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Further, it has been reported by the respondents that disruptions, breaks in the supply chains, increased wastage of perishables have severely impacted the sector. The marginal farmers who sell their products on day to day basis to the mandis and directly to the consumers have been impacted.
- 3. Real Estate** – Majority of the respondents (77%) reported that demonetization has finished their businesses as cash is always a major component of their transaction. Like the other sectors, small real estate developers are severely impacted because of very high involvement of cash as a component of payment in real estate deals.
- 4. Construction** – Construction sector is severely impacted as majority of the respondents (74%) responded that demonetization has led to lower collections in the form of customer advances as projects in early stages of construction are mostly dependent on these advances for construction progress and debt servicing. The demonetization drive has majorly impacted the fate of the unskilled workforce in the construction sector as the sector absorbs maximum of the unskilled workforce after the agriculture sector. And these workers are working majorly on the daily wages in many of the construction activities in the country.
- 5. Media and Entertainment** – Due to slump in consumer spending in the wake of the demonetization drive, 68% respondents said that media and entertainment industry is impacted majorly as viewership has dropped to a very low number. The drop in demand is comparatively higher from the lower middle class. The respondents reported that the businesses in cinema halls and the production of few films have come to a halt with the sudden decision from the central government on demonetization. Also, the impact of demonetization is majorly seen on the smaller and emerging players in the industry.
- 6. Gems & Jewellery** – Majority of the respondents (65%) reported that the impact of demonetization on Gems & Jewellery sector is quiet high since cash payment is the significant mode of payment for purchasing jewellery by the substantial portion of the customers. The sector is impacted because people are not able to fulfill their daily needs It is estimated that the domestic demand for gems and jewellery is expected to be muted in the near to medium term with the smaller jewellery retailers in the unorganized sector being the most impacted.

7. **Tourism and hospitality and wellness** – According to the survey, **61%** respondents responded that tourism sector is highly affected since people consume a major part of their undeclared income on luxuries. Hence, with the inability of customers / tourists to spend due to lack of available currency, the tourism industry is suffering the most wherein the unorganized inventory of hotels is mostly impacted. In addition, the leisure sector hotels and restaurants segment is facing impact on account of the discretionary nature of spending in this sector and the substantially larger base of cash transactions that occur in its when compared to mainstream business hotels. Further, the restaurants businesses are facing a slowdown in growth on account of the reduced availability of cash and the generally high usage of cash spending in restaurants.

Chart: Impact of Demonetization on major sectors of the economy



Source: PHD Research Bureau, PHD Chamber Demonetization Survey 2016

8. **Labour intensive sectors (Leather, mining, textiles)** - Labour-intensive sector requires huge amount of money to be paid in cash to the daily wage labourers, majority of the respondents (56%) reported that they have been impacted by demonetization drive. Restriction of withdrawals from bank is impacting the weekly payment to contractual workers in textile, mining and leather industries. Additionally, constraints on cash withdrawals is affecting the factory owners to fulfill daily requirements. This is negatively influencing the procurement and production in the labour intensive sectors. However, the impact will diminish once the cash flow is back to its original form.
9. **Automobiles** – Automobiles sector is impacted majorly by demonetization as reported by 52% respondents. The major decline is seen in the demand of two wheelers than luxury cars/four wheelers since cash is the primary mode of transaction in the purchase of two wheeler vehicles. Another segment of automobile industry which is facing effects of demonetization is the used car industry wherein numerous car dealers have reported sudden decrease in sales. It is an unorganized industry and therefore, the modes of payments are not exactly regulated.

The case of Cash driven Sectors

Impact of Demonetization on MSMEs Sector

MSMEs have played a pivotal role in providing large employment **opportunities to over 80 million** people in India .The Sector contributes about **8% to GDP** besides 45% to the total manufacturing output and **40% to the exports from the country**.

The MSMEs sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, **more than 94% of MSMEs are established in the informal or unorganized sector**.

Also, majority of the MSMEs (70%) deploy a large chunk of workforce on an informal basis because of tedious and stringent labour laws. Around **74% of the workforce is deployed on the basis of contractual and daily wage labourers** wherein large number of labour force is unskilled or semi-skilled. Both the segments contractual and daily wage are cash driven as they have to make payments to the workforce on day to day basis and most of the workforce is deployed in this system don't have their bank accounts.

The workforce deployed by the MSMEs is of the mobile nature. Sometimes, they find work in same city and sometimes shift to other city in search of employment. Most of the labours don't have their bank accounts near their factories which makes it very difficult for MSMEs to make payments and labours to collect wages in such a scenario.

According to our survey, majority of the respondents reported that they tried their best to cope with demonetization process but after the few weeks, they were helpless and they started cutting their production process and releasing the daily wages and contractual workers which has impacted their turn around significantly.

Major impact of Demonetization is seen on cash intensive sectors

Construction and agriculture sector are both intensive both from the purchase side, with a portion of transactions involving cash and also because daily wages would to a large extent be paid in currency notes. So, the impact of demonetization is seen in the performance of key inputs like cement and steel, fertilizers, seeds and other agricultural inputs.

Agriculture sector is majorly dependent on cash. Though Government has made various arrangements for farmers but majority of the farmers have responded that they appreciate the incentives and initiatives undertaken by the Government for the smooth functioning of banking in their regions, however the cash limit was not enough to meet their requirements and they were asked to wait for long hours to withdraw cash from the banks which impacted their plans for various things significantly.

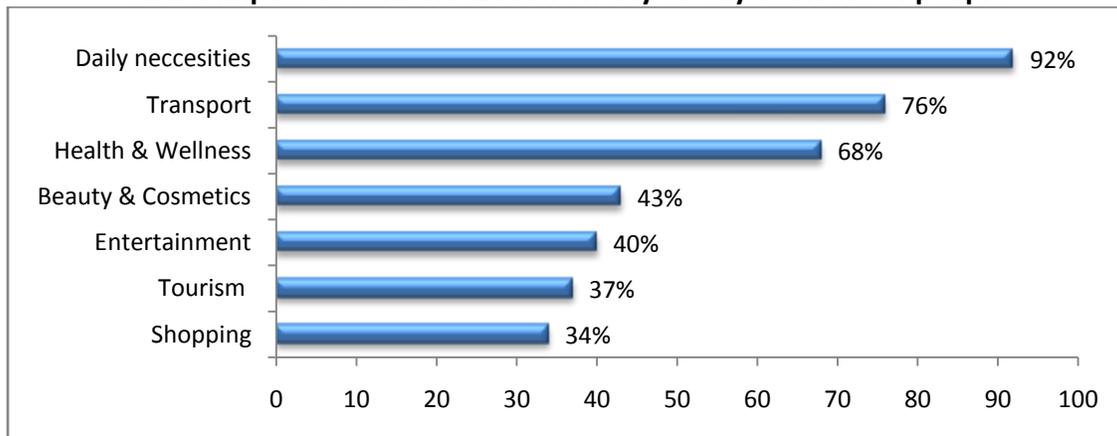
Cash driven construction sector has been impacted by demonetization as large number of workforce is deployed on daily base or in the form of contractual agreement and majority of the payments (70%) are made in cash to fulfill the day to day requirement of the workforce. Majority of the respondents (74%) said that they tried to cope with the situation but again after few weeks they were not able to continue their construction activities.

1.4 Survey on impact of demonetization on People

The inputs from the segment of people reveal that demonetization is directly affecting the short term consumption needs of the people which includes daily wage labourers, women, students, small vendors, shop keepers etc. basically belonging to the lower and middle class families for whom cash is the primary mode of payment for their day to day activities. Along with this, the direct impact of demonetization drive is seen on those who live in remote areas of country, having no bank accounts and no identification proofs.

We surveyed in order to assess the level of difficulty people are facing because of demonetization and we found that 58% respondents reported that they are facing high level of difficulty whereas rest responded that the impact is quiet modest on their daily activities. Further, we assessed the impact of currency crunch on the life of people and observed that the major impact of currency crunch is seen on daily needs of the people (92%) such as purchase of eatables, dairy products and other necessities, transport (76 %), health care & wellness (68 %), beauty & cosmetics (43 %), entertainment (40%), tourism (37%) and shopping (34%).

Chart: Impact of demonetization on day-to day activities of people

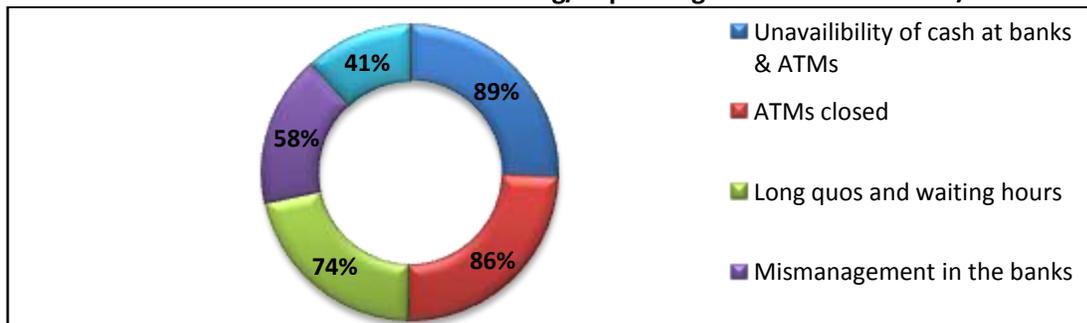


Source : PHD Research Bureau, PHD Chamber Demonetization Survey 2016

The survey inferred that the impact of demonetization is seen not only on consumption, people are also facing lot of problems in exchanging currencies, withdrawing the money from ATMs or banks or depositing the money due to large queues.

In terms of major problems faced by the people while withdrawing/depositing cash from the bank/ATMs, 89% respondents have reported unavailability of cash at banks and ATMs as a major hurdle, followed by ATMs closed (86%) long quos and waiting hours (74%), mismanagement in the banks (58%) and lack of cooperation by the bank staff (41%).

Chart: Problems faced while withdrawing/depositing cash from the banks/ATMS



Source: PHD Research Bureau, PHD Chamber Demonetization Survey 2016

The survey revealed that various respondents majorly belonging to the middle and upper class have taken smart decisions so as to sustain their livelihood during cash crunch times. People have become cost conscious, they are trying cut down their expenses. However, people are using more of debit/credit card rather than becoming totally dependent on cash for transactions. At the same time, internet banking and mobile banking are being used quiet frequently for money transfer as well payments instead of standing in long quos for money withdrawl/deposit/transfer. However, people belonging to the poorest sections of the society who don't have the smart phones, internet facility and lack digital literacy are majorly impacted by demonetization drive.

1.5 Impact of Digital transactions in the long run

1.5.1 Advantages of Digital transactions

- 1) **Reduction in cash operations cost:** Cash operations costs to the RBI and other commercial banks can be limited to a greater extent with the cashless economy which is possible through digital transactions. The increased use of credit/debit cards will reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.
- 2) **Universal availability of banking services online:** Digital transactions will provide universal availability of banking services to all across the nation as there would not be any physical infrastructure needed other than digital portals of the respective financial institutions.
- 3) **Convenient and user friendly services:** Digital transactions can be performed at anytime across world through internet with no delays and queues. Also, speed and satisfaction of operations for customers, make it an efficient way of making payments.
- 4) **Transparency in businesses:** An increased use of credit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers. Thus,

improvement in credit access and financial inclusion will benefit the growth of SMEs in the medium/long run.

- 5) **Efficiency in welfare programmes:** There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary's bank account, the entire process becomes transparent. Payments can be easily traced and collected and corruption will automatically drop.
- 6) **Reduced instances of tax avoidances and curb black money generation:** Since digital transactions are based on financial institutions, it lowers the instances of tax avoidance and money launderings due to the higher traceability of all transactions. At the same time, curbs generation of black money and problem of counterfeit currency.

1.5.2 Disadvantages of Digital transactions

- 1) **The necessity of Internet:** Since, internet is a prerequisite for digital transactions, inaccessibility of internet services at emergency situations can limit the use of digital platforms for transactions.
- 2) **Higher risk of getting hacked:** The biggest fear is the risk of identity theft. With the rising incidence of online fraud, the risk of hacking will grow as more people use digital platforms for transactions in the long run. The worse situation is when the system of processing company has been broken, because it leads to the leak of personal data on cards and its owners. Even if the electronic payment system does not launch plastic cards, it can be involved in scandals related to the Identity theft.
- 3) **High restrictions:** Each payment system has its limits regarding the maximum amount in the account, the number of transactions per day and the amount of output which limits its use.
- 4) **The lack of anonymity.** The information about all the transactions, including the amount, time and recipient are stored in the database of the payment system which implies that the intelligence agency has an access to this information.
- 5) **Difficult for tech-unsavvy:** Besides the practical difficulty of going digital, a bigger block is the psychological shift. The digital medium may prove a challenge for the tech-unfriendly people, who will need more time to adapt or the availability of other options to conduct transactions. It's a problem for the older people and those lacking digital literacy, who may suddenly find themselves locked out of their accounts if they can't download an app or don't have cash.

Measures for safe digital transactions

- 1) In case of **loss of debit/credit card**, one should immediately report to the bank through online customer service for blocking all the services. Further, any query related to account hack, loss of password or else should be reported to the bank for the safety of bank account
- 2) **Checking bank's official website and URL before entering user ID or password** or such sensitive information for online banking. Avoid using the embedded links in any e-mail to get to any web page.
- 3) **Changing password** of net banking ID, mobile banking and other digital transaction platforms at least once a month.
- 4) **Keeping operating system and browser up-to-date** with the latest security patches. Installing these only from a trusted web site.
- 5) **Always logging out while exiting the online banking portal** and closing the browser to ensure that secure session is terminated.
- 6) **Installing a personal firewall** to help prevent hackers from gaining unauthorized access to home/office computer, especially if the connection is through a cable or a DSL modem.
- 7) **Ignore opening, running, installing or using programmes or files obtained from a unknown person or organization**
- 8) **Never fill out forms in e-mail messages** that ask for personal financial information, like account or credit card numbers. Also, never response to any e-mail, provide online banking user ID, passwords, credit and debit card numbers. No bank's representative will ever ask for user ID/ credit or debit card number/ password in any form.
- 9) **Never** select the option on browser that stores or **retains user name and password**
- 10) For those **having more than one bank account**, should **avoid using the same online banking password** for all.
- 11) **Avoid accessing the Internet banking channel at cyber cafes**, which are prone to attacks by hackers. Also avoid locations that offer online connections through wireless networks (Wi-Fi), where privacy and security are minimal.

1.6 Suggestive measures

In order to ease the burden of demonetization, the Government has introduced numerous measures to ease the burden of demonetization on common man. However, there are various

challenges which are being faced by the businesses and people in the nation which needs to be solved at the earliest possible. Few enlisted suggestions are as follows:

1. **Set up of digital literacy booths outside banks majorly in rural regions:** The need of the hour is to create digital literacy across all the sections of the nation as very small portions of the country is using internet and phone banking for their daily requirements. Since, majority of the people belonging to lower and middle class have their bank accounts in Government banks. It is highly essential to create digital literacy booths outside the banks wherein there is a facility of opening of new bank accounts and demonstration of how to make digital payments, use internet and phone banking.
2. **More printing of smaller currency notes:** Government should print more and smaller denominations such as Rs. 50, 100 and Rs. 500 notes so that there should be sufficient circulation of money in the market. Presently inspite of the fact that the people have Rs. 2,000 notes they are not able to exchange the same in the market due to shortage of smaller denominations.
3. **Subsidy scheme for smart phones:** Government should come up with subsidized schemes for low cost smart phones which would make smart phones accessible to all and would help in spreading digital literacy among people. Further, this will boost Make in India programme since the positive impact will be seen on Indian mobile phone manufacturers.
4. **Cash management in banks & ATMs:** Few banks have a daily withdrawl limit of maximum Rs. 10,000 per day as compared as compared to Rs. 24,000 in their banks due to which people have to stand in long quos everyday for money withdrawl. Here, the Government needs to ensure that the sufficient quantity of money is being transported to the banks and ATMs in both rural and urban areas on time so that the banks can work efficiently.
5. **Increasing penetration of banks in rural areas:** The penetration of banks in rural areas is very less and the major impact of demonetization is seen on people residing in rural region since they don't even their own bank accounts. Here, the Government need to ensure easy flow of money in the banks located in the rural regions and special camps for their support.
6. **Facility of mobile ATMs:** Withdrawl of new currency denominations through mobile ATMs in the Government, public sector and private corporate sector offices having more than 25 employees in their establishments.
7. **Expanded cash limits for Cash driven sectors:** Cash driven sectors such as constriction sector and Small and Micro Units (SMEs) should be facilitated by expanded cash limits to withdraw from the banking sector for the payment of salaries of their daily wage and contractual workers.

8. **Incentives for RTGS and NEFT:** Incentivize RTGS (Real Time Gross Settlement) and NEFT (National Electronic Funds Transfer) under the ambit of digital transfers so that more and more people adopt the available facility and are less dependent on cash transactions. A threshold limit of Rs. 2,00,000 for transactions under the RTGS and Rs. 50,000 for transfers under NEFT should be exempted from the service tax.
9. **Increase the limit for service tax exemption to Rs. 10,000:** Enhance in the limits of Removal of service tax charged while making payments through credit card, debit card, charge card or any other payment card up to Rs. 2,000 in a single transaction is a good start for the transformation from cash transactions to the digital transfers, however, the limit needs to be revised to Rs. 10,000.
10. **Increase in daily cash withdrawal limits from ATMs:** Daily cash withdrawal limit from ATMs should also be increased to Rs. 10,000 so that people are not coming in queue again and again.

Going ahead, faster implementation of the suggested measures would contribute in the process of remonetization and would play an essential role in increasing the demand thereby rebounding the economy to higher growth trajectory.

Study/Project Team

Dr. S P Sharma

Chief Economist & Director of Research

Ms. Areesha

Research Associate

Disclaimer

The Survey on Impact of Demonetization on Economy, Businesses and People is prepared by PHD Chamber of Commerce and Industry to assess the impact of demonetization on economy, businesses and people. This report may not be reproduced, wholly or partly in any material form, or modified, without prior approval from the Chamber.

It may be noted that this book is for guidance and information purposes only. Though due care has been taken to ensure accuracy of information to the best of the PHD Chamber's knowledge and belief, it is strongly recommended that readers should seek specific professional advice before taking any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this book. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the Reader or User due to any reliance placed or guidance taken from any portion of this book.

Copyright 2017

PHD Chamber of Commerce and Industry

ISBN Number: 978-93-84145-33-0

ALL RIGHTS RESERVED.

No part of this book including the cover, shall be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of, and acknowledgement of the publisher (PHD Chamber of Commerce and Industry).

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading business newspapers.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Macro Economy 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade & Inv. Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> States Development 	<ul style="list-style-type: none"> Economic & Business Outlook (EBO) 	<ul style="list-style-type: none"> Business Research Consultancy
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	<ul style="list-style-type: none"> Investment Advisory Services
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Trade & Inv. Facilitator (TIF) 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> International Trade 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> Global Economy 		

Studies Undertaken by PHD Research Bureau**A: Thematic research reports**

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)

41. Budget Analysis 2016-17 (February 2016)
42. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
43. BREXIT impact on Indian Economy (July 2016)
44. India's Exports Outlook (August 2016)
45. Ease of Doing Business among Indian states: Suggestive Measures (September 2016)
46. Transforming India through Make in India, Skill India and Digital India (November 2016)

B: State profiles

47. Rajasthan: The State Profile (April 2011)
48. Uttarakhand: The State Profile (June 2011)
49. Punjab: The State Profile (November 2011)
50. J&K: The State Profile (December 2011)
51. Uttar Pradesh: The State Profile (December 2011)
52. Bihar: The State Profile (June 2012)
53. Himachal Pradesh: The State Profile (June 2012)
54. Madhya Pradesh: The State Profile (August 2012)
55. Resurgent Bihar (April 2013)
56. Life ahead for Uttarakhand (August 2013)
57. Punjab: The State Profile (February 2014)
58. Haryana: Bolstering Industrialization (May 2015)
59. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015)
60. Suggestions for Progressive Uttar Pradesh (August 2015)
61. State profile of Telangana- The dynamic state of India (April 2016)
62. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)

Team, PHD Research Bureau

Dr. S P Sharma
Chief Economist & Director of Research
 Email id: spsharma@phdcci.in

Ms. MeghaKaul	Associate Economist	Economic reforms, Growth & Development
Ms. Rashmi Singh	Associate Economist	Global Economic Developments
Ms. Surbhi Sharma	Sr. Research Officer	Banking & Financial Markets
Ms. MahimaKaushal	Research Associate	Economic & Business policy environment
Mr. Rohit Singh	Research Associate	International trade & Investments
Ms. Areesha	Research Associate	Infrastructure, Agriculture & Rural Development
Ms. Abha Chauhan	Research Assistant	Macro-Economic Developments (State)
Ms. Sunita Gosain	Secretarial Assistant	Secretarial & Administrative processes



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.



CSR IMR
India-My Responsibility

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India)
Tel. : +91-112686 3801-04, 49545454, 49545400 · Fax : +91-11-2685 5450
E-mail : phdcci@phdcci.in · Website : www.phdcci.in