

COMPREHENSIVE ANALYSIS OF BIHAR'S SOCIO-ECONOMIC HURDLES AND PATHWAYS TO SUSTAINABLE GROWTH

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ABSTRACT

This study provides a comprehensive analysis of Bihar's growth, focusing on its historical background and significant turning points. It examines economic indices such as industrialization, GDP growth, and employment rates, along with the crucial role of agriculture in Bihar's economy. Social indicators like healthcare, education, and the alcohol ban are assessed to gauge the effectiveness of state policies. The study highlights initiatives to improve healthcare, education, and skill development. It also investigates the impact of governance and policy frameworks on Bihar's growth, addressing regional imbalances, promoting equitable growth, and attracting investment, while considering grassroots efforts and decentralization in fostering community-led development.

INTRODUCTION

Bihar, synonymous with a rich historical legacy, has undergone profound transformations in recent decades, shifting from socio-economic challenges to recognized developmental endeavors. Situated in eastern India, Bihar's progress is woven with historical, cultural, and economic threads shaping its contemporary landscape. This research explores Bihar's development, unraveling the layers that define its trajectory. Historically labeled as backward, Bihar has seen remarkable changes, challenging preconceived notions and inspiring scrutiny of growth factors. From the ancient seat of learning at Nalanda to post-independence socio-economic transformations, Bihar's journey is one of resilience and adaptation.

Economic development is a cornerstone, highlighting Bihar's path toward industrialization, employment generation, and agricultural modernization. Governance and policy frameworks are crucial, showcasing state-led initiatives shaping Bihar's destiny. Beyond economic metrics, this research encompasses Bihar's social fabric. Education,

healthcare, and social inclusivity are integral, offering insights into the state's holistic progress. Understanding these elements is vital for policies fostering inclusive growth and addressing diverse community needs.

BUDGET OVERVIEW AND DEVELOPMENTAL FOCUS

Bihar's recent budget for 2023-24 reflects its commitment to inclusive growth and development. Significant allocations have been made across key social sectors, emphasizing education, healthcare, infrastructure, and social welfare. This financial plan underscores the state's strategic focus on addressing socio-economic challenges, promoting sustainable development, and enhancing the quality of life for its residents.

Sector-wise Budget Allocation

- **Education:** Rs 17,789 crore for school salary assistance; Rs 6,397 crore for pay and benefits.
- **MGNREGS:** Rs 3,852 crore.
- **PMGSY:** Rs 3,610 crore.

- **Urban Health Services:** Rs 3,691 crore; Rs 1,830 crore for capital expenses.
- **Mukhyamantri Vriddhajan Pension Yojana:** Rs 1,029 crore.
- **District Police:** Rs 6,345 crore.
- **Affordable Power Subsidies:** Rs 9,103 crore.
- **Roads and Bridges:** Rs 3,986 crore for capital projects.
- **Smart City Mission:** Rs 940 crore.
- **Agriculture:** Rs 415 crore for subsidies, including Rs 100 crore for mechanization.
- **Housing (Pradhan Mantri Awas/Indira Awas Yojana):** Rs 6,789 crore.

EDUCATION

Literacy rate from 1951 to 2011			
Year	Total	Males	Females
1961	21.95	35.85	8.11
1971	23.17	35.86	9.86
1981	32.32	47.11	16.61
1991	37.49	51.37	21.99
2001	47.53	60.32	33.57
2011	63.82	73.39	53.33

Bihar's overall literacy rate is 69.83%. For men, it's 70.32%, and for women, 53.57%. In rural areas, 43.9% of people are literate, with male and female literacy rates at 57.1% and 29.6%, respectively. Urban literacy rates are higher at 71.9%, with males at 62.6% and females at 79.9%. Bihar has 31,675,607 literate people: 20,978,955 men and 10,696,652 women.

Patna boasts the highest literacy rate at 63.82%, followed by Rohtas (62.36%) and Munger (60.11%). Kishanganj has the lowest rate at 31.02%, with Katihar (35.29%) and Araria (34.94%) trailing behind. A Pratham poll indicates that Bihari youngsters are more receptive to their instruction than children in other states. Efforts are underway to improve

female literacy, currently at 53.3%, up from 4.22% at independence.

Only 21% of Bihar's primary school teachers have completed matriculation (10th standard), per the National University of Educational Planning & Administration (NUEPA). Bihar has maintained district schools (Zila schools) since the British era.

Bihar houses eight Institutes of National Importance: Dr. Rajendra Prasad Central Agriculture University, IIT Patna, IIM Bodh Gaya, AIIMS Patna, NIT Patna, IIIT Bhagalpur, NIPER Hajipur, and Nalanda University. The state is also home to four central institutions, including Mahatma Gandhi Central University and Central University of South Bihar. In 2015, the central government allocated ₹500 crores for re-establishing Vikramshila in Bhagalpur. Other notable institutions include CIPET, IHM Patna, NIFT Patna, National Law University, and the Footwear Design and Development Institute, Bihta.

Bihar has eight government-funded medical colleges, including Patna Medical College and Hospital and Indira Gandhi Institute of Medical Sciences, alongside five private medical colleges. Due to its heavy reliance on agriculture, the state faces limited socioeconomic options and high poverty rates, with over 40% of its population living in poverty and 80% dependent on agriculture. The high illiteracy rate exacerbates poverty, limiting skill sets and employment opportunities. Despite the literacy rate rising from 47% in 2001 to 63% in 2011, Bihar still has the lowest literacy rate in India. The region's 83% secondary education dropout rate and teacher shortages highlight the need for educational reform.

In 2016, only 0.8% of schools had computers, 30.7% lacked access to library books, and 29.4% had no functional restrooms. Child labor remains a significant barrier to education, with approximately 0.54 million children working more than six months a year.

The Education Department's budget for 2023-2024 is ₹40,451 crore, with ₹39,929 crore for revenue and ₹522 crore for capital. The plan outlay is ₹22,200 crore, about 55% of the total education spending. Many of Bihar's 72,663 government schools lack basic infrastructure, with 15,000 schools missing tables and seats, forcing students to sit on the ground. Unused funds from secondary schools will be redirected to infrastructure improvements.

Bihar, one of India's largest states, has 22.36 million children aged 6 to 14, representing 11.79% of the national total. The state's educational system is predominantly managed by the Department of Education, with over 80% of schools being government-run. Bihar has 15,279 recognized and unrecognized unaided schools, accounting for 16.35% of all schools in the state.

Bihar ranks low in the Niti Aayog School Education Quality Index, with a score of 42.05, highlighting the need for educational improvements. The data from 2012-13 to 2020-21 shows consistent growth in the number of schools in Bihar, aligning with national trends. However, fluctuations in yearly changes indicate the need for ongoing monitoring and intervention to ensure sustained growth and equitable access to education.

EMPLOYMENT AND INFRASTRUCTURE

In March 2023, Bihar's employment stood at 24.2 million. This figure has fluctuated recently but shows a downward trend from April 2022 to March 2023.

GDP	75,139,559 INR, lakhs
GDP per capita	59,637 INR, lakhs
GDP growth	244 %
Unemployment rate	17.55%
Labor force participation rate	34.57 %
Consumer price index	183.3

Despite these figures, Bihar's unemployment rate for the same period was 14.4%, nearly double the national average. In December 2021, the unemployment rate hit 16%, dropped to 13.3% in January, and rose to 14% in February 2022.

Agriculture employs nearly three-fourths of Bihar's population, making it a leading producer of vegetables and fruits in India. However, the lack of industrialization and economic development limits job opportunities. The agricultural sector, while significant, has limited growth potential.

A total of 2.67 lakh unemployed youth registered with the national career service portal in the last 10 months, four times higher than the corresponding periods in the previous five years.

Large Scale Units Approved in Bihar

Year	Types of unit	Location
2012-2013	Refined Vegetable Oil	Durgawati, Kaimur, (Bhabhua)
	Cement	Karamnasa, Bhabhua
	Kraft Paper	Industrial Area Growth Centre, Giddha, Ara
	60 KLPD Distillery Plant and MW Co-generation Power Plant	Rajpatti Kothi, Rajpatti, Gopalganj
2013-14	Sugar Mill	Hasanpur, Sitamarhi
	Rice Milling Plant & Cogeneration Captive Power Plant	Rambagh, Buxar
2014-15	Brewery Unit	Bikram, Patna
	Cement	Aurangabad
	Brewery Unit	Bikram, Patna

MSMES AND INDUSTRIALIZATION

I. MSMEs

Up to 2006-07, Bihar had 1.63 lakh registered MSMEs, but registrations declined over the years. By 2013-14, there were 1.98 lakh units, showing a 21.4% increase over seven years. Investment per unit rose from ₹1.87 lakh to ₹10.07 lakh during this period. Employment in MSMEs grew from 5.37 lakh to 6.52 lakh. Hajipur, known as the "Electronic City of Bihar," began its transformation with the establishment of the National Institute of Electronics & Information Technology (NIELIT) in 2012.

II. Industrialization and Investment Inflows

Bihar's strategic location and affordable labor make it attractive for enterprises. From October 2019 to June 2023, Bihar received FDI inflows of US\$ 214.50 million. Merchandise exports totaled \$2,308.60 million in 2021-2022 and \$1,258.97 million in 2022-2023. The state has an installed power generation capacity of 7,927.00 MW, mainly from coal-based and renewable sources.

III. Challenges and Growth Prospects

About 80% of Bihar's workforce is in agriculture, indicating limited industrialization. The state's industrial contribution to the GSDP is only 20%, with services at 55% and agriculture at 25%. Low industrial growth has led to urbanization challenges, high unemployment, and migration issues. However, Bihar's government is taking steps to promote industries through investor summits, MSME support, infrastructure development, and policy reforms. The Industrial Investment Promotion Policy implemented in 2016 led to a 10.5% annual growth in the industrial sector during 2017-18 and 2018-19. Bihar's diverse business sectors, including manufacturing, food

processing, healthcare, and renewable energy, are poised for further growth with ongoing initiatives and incentives.

TECHNOLOGICAL ADVANCEMENTS IN BIHAR

Hajipur, known as the "Electronic City of Bihar," has emerged as a pivotal center for technological advancements and innovation in the state. This transformation began with the establishment of the National Institute of Electronics & Information Technology (NIELIT) in 2012. Hajipur's strategic location and conducive environment for technological development have attracted investments and fostered the expansion of the information technology and electronics sector in the region.

Bihar's industrial landscape is undergoing significant changes, with a focus on enhancing technological capabilities and promoting digital infrastructure. The state's investment in initiatives like NIELIT in Hajipur reflects a broader commitment to harnessing technology for economic growth and diversification. As Bihar embraces digitalization and innovation, cities like Hajipur play a crucial role in driving the state towards a technologically advanced future.

HEALTHCARE INFRASTRUCTURE AND ACCESS IN BIHAR

The state government allocated Rs16,134.39 crore for the health sector in the 2022-23 fiscal year, Rs2,869.43 crore more than the previous budget, marking the third-highest allocation after education and infrastructure development. This budget includes Rs9,099.23 crore for establishment and committed expenditure, and Rs7,035.16 crore for scheme outlay. Key allocations include Rs3,071.74 crore for the National Rural Health Mission and National Health Mission, and Rs2,081.06 crore for human resources in health and medical institutes. Additionally, four new medical colleges and hospitals will be started, with three more under construction.

Key Health Status & Impact Indicators

Indicators	Bihar	India
Infant Mortality Rate (IMR)	29	30
Crude Death Rate (CDR)	5.5	6.0
Crude Birth Rate (CBR)	25.8	19.7
Maternal Mortality Ratio (MMR)	149	113
Neo Natal Mortality Rate (NNMR) Under Five Mortality Rate (U5MR)	25	23
Under Five Mortality Rate (U5MR)	37	36
Still Birth Rate	2	4
Total Fertility Rate (TFR)	3.2	2.2
Life expectancy at birth	69.1	69.4
Sex Ratio at Birth	895	899

From the data provided in the table, several conclusions can be drawn about Bihar in comparison to India as a whole:

- Bihar's Crude Birth Rate (CBR) is significantly higher than the national average, indicating a higher childbirth rate.
- The state has a higher Maternal Mortality Ratio (MMR), reflecting a greater risk of maternal deaths.
- Bihar's Infant Mortality Rate (IMR) is slightly lower than the national average.
- Neo Natal Mortality Rate (NNMR) and Under Five Mortality Rate (U5MR) are slightly higher in Bihar.
- Life expectancy at birth in Bihar is slightly lower.
- Total Fertility Rate (TFR) is higher, indicating women have more children on average.

- The sex ratio at birth is lower, suggesting a slight preference for male children.

Key Health Infrastructure Indicators

Indicators	Numbers(Total)
Number of District Hospitals	36
Number of Sub District Hospital	35
Number of Government (Central + State) Medical College	10
Number of Private (Society + Trust) Medical Colleges	6

From the data provided, we can draw several conclusions about Bihar's healthcare infrastructure:

- Bihar has 36 district hospitals, indicating widespread healthcare facility distribution.
- The state has 35 sub-district hospitals, suggesting a strong network of secondary healthcare facilities.
- There are 10 government medical colleges, critical for medical education and tertiary healthcare.
- Six private medical colleges also contribute significantly to healthcare service delivery.

Access to Care

Ambulances & Mobile Medical Units (MMU)	Bihar	India
Number of Districts equipped with MMU under NRHM	0	506
Number of Districts equipped with MMU/Health Units under NUHM	0	31

From the data provided, it appears that Bihar does not have any districts equipped with Mobile Medical Units (MMUs) under the National

Rural Health Mission (NRHM) or the National Urban Health Mission (NUHM), whereas India as a whole has districts equipped with MMUs under both NRHM and NUHM. Mobile Medical Units (MMUs) are vehicles equipped with medical equipment and staffed by healthcare professionals to provide healthcare services to rural or remote areas where healthcare facilities may be lacking or inaccessible. The absence of MMUs in Bihar suggests a potential gap in the provision of healthcare services in rural and urban areas of the state.

The absence of MMUs in Bihar indicates a potential lack of access to healthcare services, particularly in remote or underserved areas of the state. This could result in challenges for residents in accessing timely medical care and may contribute to disparities in healthcare outcomes. The lack of MMUs in Bihar may reflect challenges related to infrastructure, funding, or resource allocation for healthcare services in the state. It could indicate a need for increased investment in healthcare infrastructure and mobile healthcare initiatives to improve access to medical care for the population.

A gap in the infrastructure of medicine

- Bihar has a total of 30,857 beds, but needs 6,42,501, indicating a deficit of 6,11,644 beds.
- The state has 83 diagnostic centers but needs 12,850, resulting in a shortage of 12,767 centers.

Overall, while Bihar has a considerable healthcare infrastructure with district and sub-district hospitals, government, and private medical colleges, significant gaps remain in bed availability, diagnostic centers, and access to mobile healthcare units. Addressing these gaps is crucial for improving healthcare outcomes in the state.

ALCOHOL PROHIBITION IN BIHAR

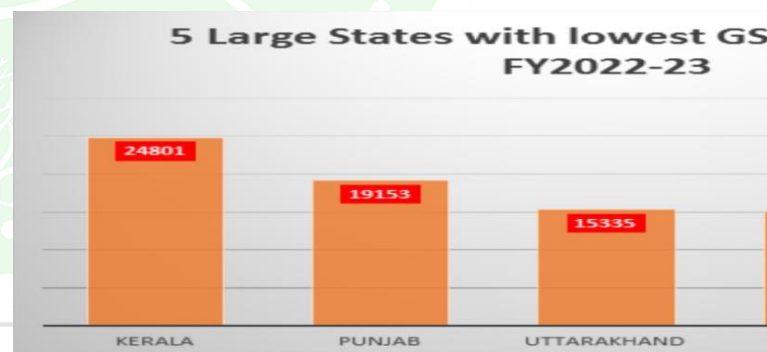
In 2016, Chief Minister Nitish Kumar banned alcohol in Bihar, inspired by Article 47 of the Indian Constitution, which aims to prohibit harmful intoxicants. Despite this, Bihar consumes more alcohol than Maharashtra, as

per the National Family Health Survey (NFHS-5) 2019–20 study. It reported that 15.5% of men in Bihar (aged 15+) consumed alcohol, with higher consumption in rural areas (15.8%) compared to urban areas (14%).

Bihar's prohibition, a pledge by Kumar to women affected by male family members' drinking, has faced criticism due to several hooch-related deaths. Critics, including former Chief Minister Lalu Prasad Yadav and the former Indian Chief Justice, highlighted issues such as revenue loss, increased smuggling, and judicial system overload with prohibition cases. The Patna High Court criticized the enforcement of prohibition, noting the rise in crimes and drug use.

Economic Impact

Prohibition has significantly impacted Bihar's finances. The state, already financially precarious, lost over INR 40,000 crores in revenue since the ban. In contrast, Bihar received a substantial share of union taxes and duties, ₹1,02,737 crore, the second-highest after Uttar Pradesh. However, Bihar has one of the lowest GST collections, contributing minimally to the center despite receiving a large share.



Source: Ministry of Finance

Public Support and Health Objectives

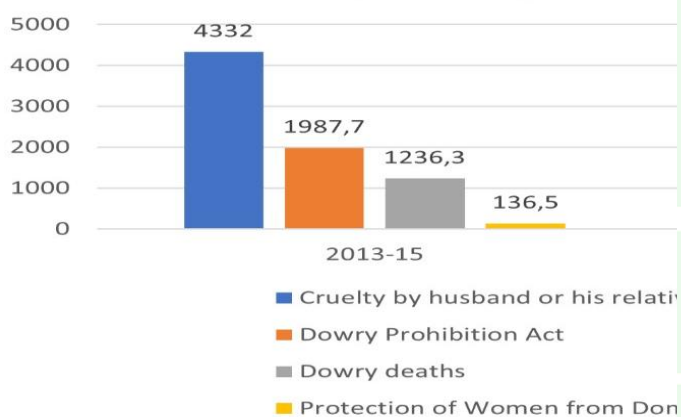
A 2018 poll showed 1.64 crore people quit drinking post-prohibition, increasing to 1.82 crore by 2023. Chief Minister Kumar claimed 92% of men and 99% of women supported prohibition. The ban aimed to reduce alcohol-related health issues and domestic violence. Before the ban, 30% of men consumed alcohol, and 40% of women reported intimate partner

violence, with higher rates among frequent drinkers.

Effect on Violence Against Women

Post-ban, reported crimes against women decreased slightly in Bihar, with a notable drop in Patna. Comparing three years before and after the ban (excluding 2016), there was a decline in the incidence and rate of crimes against women. However, attributing this decrease solely to the ban is complex due to factors like underreporting, police recording practices, and other socio-political influences. Despite prohibition, alcohol access persists, and drug misuse has increased, challenging the policy's effectiveness.

Figure 2B: Domestic violence i
3-year average before



It is unlikely that crime statistics will adequately reflect any beneficial improvement brought about by the alcohol ban for the reasons listed below.

- First, there is a disproportionate lack of reporting by women and police recording; for example, in the National Family Health Survey from 2015–16, 40 women reported domestic abuse, compared to less than 15 per 100,000 in the criminal records.
- Second, we don't know if female survivors report at lower, same, or higher rates than male perpetrators who do or do not consume alcohol. Third, enhanced or inattentive police is also the cause of changes in crime rates and records.

KEY DEVELOPMENTAL CHALLENGES

1. **Low Literacy Rates:** Bihar still has relatively low literacy rates, especially among women and rural populations, despite years of progress. This suggests that focused efforts are required to raise literacy rates, especially in underserved areas.
2. **Educational Quality:** The low quality of Bihar's educational system is shown in the high dropout rate and scarcity of certified teachers. The low proportion of teachers with sufficient qualifications points to the necessity of funding professional development and teacher preparation initiatives.
3. **Infrastructure Deficiencies:** In Bihar, a lot of schools lack basic amenities like seats, tables, and working facilities. Many schools also don't have access to basic supplies like computers and library books. This emphasizes the necessity of funding school buildings and infrastructure since it affects both the learning environment and the wellbeing of the students.
4. **Child Labor:** In Bihar, where many kids work rather than go to school, child labor is still a major obstacle to education. Improving educational performance depends on initiatives to end child labor and guarantee universal childhood education.
5. **High Unemployment:** Bihar's unemployment rate is almost twice as high as the national average. This is mostly because to the state's heavy reliance on agriculture and its little potential for modernization and economic development.
6. **Industrial Growth:** The state of Bihar's industrial sector's minimal GDP contribution suggests that there hasn't been much industrial growth. This contributes to high unemployment rates by reducing the number of job options outside of the agricultural industry.
7. **Healthcare Access:** Access to healthcare services is limited, especially in underserved and rural areas. This may lead to residents receiving subpar or delayed medical care, which would worsen healthcare outcomes.

There is also a severe lack of beds and diagnostic facilities in Bihar's healthcare system. Overcrowding, increased wait times, and less-than-ideal patient care result from the state's inability to deliver timely and high-quality healthcare services to its citizens due to a lack of beds and diagnostic capabilities.

8. **Alcohol Prohibition Issues:** Alcohol use persists in Bihar despite the policy of prohibition, suggesting difficulties in the efficient execution and enforcement of the law. Alcohol is made available through illicit channels like bootlegging and smuggling, which makes government initiatives to reduce alcohol consumption ineffective. Also, the state government, which was formerly dependent on excise revenues from the sale of alcohol, has suffered a significant loss of revenue as a result of the alcohol ban.

PROPOSED SOLUTIONS AND INITIATIVES

1. **Improve access and quality of educational facilities:** Make infrastructural improvements to schools a top priority, including the supply of sufficient resources and facilities like classrooms, desks, libraries, and restrooms. Establish thorough programs for teacher preparation to raise the caliber of instruction and guarantee that teachers possess the requisite knowledge and credentials. Initiatives to improve learning and encourage academic success make educational resources like textbooks, digital learning tools, and library items more widely available.
2. **Address Child Labor:** Put laws and initiatives into place to stop child labor and guarantee that every child has access to a high-quality education. Offer families incentives and support services to promote school attendance and deter child labor practices.
3. **Attract Investment and Promote Industrialization:** Bihar ought to concentrate on luring capital and advancing industrialization in fields like electronics, manufacturing, IT, and

renewable energy. Infrastructure development, improved regulatory procedures, and tailored incentives can all help achieve this.

4. **Support MSMEs:** Offer MSMEs all-encompassing assistance, encompassing financial, technological, and market connections. Governmental programs that promote entrepreneurship and employment creation include skill development courses, business facilitation centers, and investor summits.
5. **Infrastructure Development:** To improve connectivity and support industrial expansion, invest in initiatives involving the development of ports, power plants, highways, bridges, and other infrastructure. Infrastructure development can be accelerated and resources mobilized through the use of public-private partnerships.
6. **Skill Development Programs:** Put in place programs for skill development to close the workforce shortage and meet industrial demands. Work together with academic institutions, career centers, and trade associations to provide industry-specific certification and training initiatives.
7. **Economic Diversification:** Encourage the economy to diversify outside of agriculture by supporting industries like services, tourism, healthcare, and education that have a lot of room to grow. This may lessen reliance on established industries and open up new job opportunities.
8. **Healthcare Infrastructure:** Prioritize building and upgrading hospitals, clinics, and diagnostic facilities. Increasing the number of beds and diagnostic centers can enhance the healthcare system's capacity to meet rising demand for medical services. The deployment of Mobile Medical Units (MMUs) in underserved and rural areas can enhance isolated communities' access to healthcare services.
9. **Monitoring and Evaluation in Healthcare:** Implement robust monitoring and

evaluation mechanisms to measure the impact of healthcare interventions, track progress, and identify gaps. Regular assessments of healthcare infrastructure, quality of care, and health outcomes can support continuous improvement and ensure evidence-based decision-making.

10. **Strengthen Governance for Prohibition:** To successfully implement and execute the prohibition policy, Bihar must fortify its governance framework and enforcement tools. This could entail strengthening the ability of law enforcement to enforce the law, stiffening the penalty for infractions, and tackling the corruption and collaboration that enable the illegal alcohol trade.
11. **Judicial Reforms:** Bihar should take into consideration enacting judicial changes, such as specialized courts or alternative conflict resolution methods, to expedite case disposal and lessen the load on the judiciary in order to address the backlog of cases related to prohibition in the legal system.
12. **Alternative Revenue Generation:** To lessen the financial impact, Bihar should look at alternate forms of income generation in light of the money lost as a result of the alcohol ban. This can entail boosting travel, drawing capital to other industries, and enhancing tax compliance and collection systems.
13. **Comprehensive Approach to Social Issues:** Beyond just outlawing alcohol, addressing alcohol's role in domestic violence and health issues calls for a diversified strategy. Bihar should make investments in programs that prevent and treat substance misuse, mental health services, healthcare services, and campaigns.

CONCLUSION

In conclusion, the thorough analysis of Bihar's growth trajectory offers insightful information on the state's many prospects and problems in a number of important areas. Although enrollment rates and literacy levels have

improved, persistent discrepancies in quality and accessibility continue to be serious challenges, as highlighted by the examination of educational characteristics. The employment environment paints a complex picture, with industrial limits and agricultural dominance driving up unemployment rates and calling for focused policies to promote diverse economic growth.

One important component is infrastructure development; notable examples are the National Institute of Electronics & Information Technology at Hajipur and efforts to promote industrialization. The harsh reality of a labor force that is primarily agricultural and of slow industrial expansion, however, emphasizes the necessity of persistent efforts to create an environment that is supportive to enterprises and the creation of jobs.

The healthcare industry faces issues in health indicators despite increasing budgetary allocations, which calls for a comprehensive approach to address inequities and enhance health outcomes. The alcohol prohibition, which was implemented in an effort to reduce health problems and domestic violence, adds a complicated element. While data indicates a decrease in reported crimes against women, further investigation is necessary to fully understand the broader effects and complications associated with its enforcement.

The interdependence of various domains and the necessity of cooperative tactics to promote holistic development are highlighted by this research. To improve the general well-being of Bihar's population, authorities are encouraged to concentrate on improving education quality, encouraging skill development in line with industrial demands, and supporting healthcare facilities. Infrastructure spending is essential for tackling the widespread unemployment problem, especially in companies and areas that create jobs.

Essentially, Bihar is at a pivotal point in time where well-informed policy choices supported by insights derived from data can spur

sustainable growth. The way forward entails working together, taking into account input from all stakeholders, utilizing technology to improve healthcare and education, and making sure that the advantages of progress are felt by all societal classes. In order for Bihar to achieve comprehensive development, it will need flexible policies, effective resource management, and a dedication to building a prosperous, resilient, and inclusive future for all its citizens.

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A STUDY ON THE IMPACT OF 2016- DEMONETIZATION IN INDIA

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ABSTRACT

Demonetisation is the process of taking away/ceasing the legal tender rights or the status of any unit of currency. The currency has been demonetised thrice in India – the first was on January 12th, 1946; second on 16th of January, 1978 and third on 8th November, 2016. One promising result has been a dramatic increase in top line sales for India's ecommerce and digital payment companies. Other countries where demonetisation were successful are Pakistan in 2016; Zimbabwe in 2015 and Australia to flush black money and for security purposes replaced with polymer banknotes. Empirical research was adopted with 214 responses. The respondents were collected through simple convenient sampling of primary sources from family, friends and relatives and secondary source of data was collected from magazines, articles and journals. The statistical tools used are graphs and correlation. Demonetisation led to cash shortage in the country where the most impacted sectors were agriculture; real estate; tourism as it has created chaos and frenziness in the day to day activities of indian citizens. Banking sector had the most positive impact and the exception was the healthcare sector. Some suggestions were to encourage small and backward sectors towards online transactions.

KEYWORDS – Demonetization, Digital Transaction, Indian Economy, E-Banking, Black Money,

INTRODUCTION

Demonetisation is the process of taking away/ceasing the legal tender rights or the status of any unit of currency. These units of currency would not be regarded as valid currency. The currency has been demonetised thrice in India – the first was on January 12th, 1946; second on 16th of January, 1978 and third on 8th November, 2016.

The French were the first to use the word `demonetize` during 1850-1855. After which many countries have used the word with immense restrictions for its disrupted economy or population at large. The government believes to ban the currency to control inflation, fight against corruption, remove counterfeit currency and to push informal economic activity into more transparency. One promising result has been a dramatic increase in top line sales for

India's ecommerce and digital payment companies.

It's been three years since India's growth is going down due to demonetisation in 2016 in India from 8.8% Sept 2016 to 5% in Sept 2019. Even India's index of industrial production (IIP) which defines the growth of various sectors like mining, manufacturing, etc has declined from 5.6 % YoY in June 2014 to 2.95% in June 2019.

After India announced this, Venezuela did the same by removing their highest denomination- 100 bolivar note from circulation on Dec 12 and the people had just 10 days to use/deposit them in accounts which was criticized by the opposition about the government's 'ineptitude'. This was done to tackle transnational gangs which hovered the Venezuelan notes abroad.

Other countries where demonetisation were successful are Pakistan in 2016; Zimbabwe in