



Impact of Demonetization on Sectoral Indices of NSE

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Abstract

India has highest currency in circulation in comparison to other countries of the world. It is around 12.1 % of our GDP. To change this practice of cash circulation a sudden move has taken by our honorable Prime Minister Mr. Modi on November 8, 2016 regarding demonetization of two highest currency denominations of our country. This initiative brings lot of repercussions in our economy. This move is taken to support cashless economy & to put a check on black currency in our circulation. Due to this step our GDP went down to 7.1% in the last quarter of 2016 comparison to 7.6% in earlier. Demonization removed 86% of our currency out of circulation. This incidence impacted almost all the sectors of our economy. That day biggest fall was observed in Indian equity market in comparison to other Asian market. Sensex went down by 3.8% & Nifty went down by around 1.3%. Apart of this there was a down ward trend observed in almost all the sectoral indices. It means all the sectors got affected by demonetization process. Some sectors have shown much impact in comparison to other like banking, auto, FMCG & realty got affected a lot comparison to other sectors. The experts all over the world predicted that due to this move Indian economy will go in somewhat depression. But now after six month after demonetization Indian share market is doing really well. Though GDP growth rate is somewhat down but share market is moving upward direction. Nifty moved up by around 12 % post demonetization. This shows strong fundamentals of our economy. All the domestic & foreign investors are putting their money in Indian equities. People have trust in strong growth of our economy that why they are putting their money in share market. Though unorganized sectors impacted a lot due to cash crunch but there is no sluggish growth in major sectors of our economy due to this move. It has further supported the vision of cashless society in our nation.

Keywords: Demonetization, Cash less, Sectoral growth, NSE, Liquidity.

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