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Q7(a)

Do you think that 'demonetization' has accelerated the economic growth in India? How do you understand the informalization of labour, underemployment and gender discrimination in this context?

UPSC Civil Services Mains 2019 · Sociology GS 2 · 20 marks · Industrialization and Urbanisation in India
Industrialization and Urbanisation in India: Evolution of modern industry in India; Growth of urban settlements in India; Working class: structure, growth, class mobilization; Informal sector, child labour; Slums and deprivation in urban areas.

Core demand of the question

- Do you think that 'demonetization' has accelerated the economic growth in India? How do you understand the informalization of labour, underemployment and gender discrimination in this context?

Revision summary

Demonetisation shocked cash informal markets rather than igniting lasting growth.

Labour became more casual where small units lost turnover.

Underemployment rose as hours and farm fallback replaced wages.

Women's petty trade and unpaid enterprise took a gendered hit.

Formalization remained a slogan over an **informal majority**.

Introduction

Demonetisation in 2016 did not accelerate durable economic growth. It shocked cash-heavy informal India, thickened underemployment, and hit women workers who live outside formal wage records.

Body

Growth claim

- The official hope was a formal, digital, tax-clean burst of growth. Short-run disruption of trade, small manufacture, and agriculture was the sociological fact.
- A. R. Desai's India is still largely informal. A cash ban without a prior formal wage world cannot jump-start GDP; it can stall it.

Informalization of labour

- Most Indian workers are already informal. Demonetisation pushed some units to cut days, delay pay, or shift to even more casual hiring.
- Circular migrants lost cash-in-hand work; the village became a shock absorber, later seen again in COVID reverse flows.

Underemployment

- **Not open unemployment only:** fewer hours, **unpaid family work**, and a return to tiny farms.
- Thorner's mazdoor waited for a wage that came in old notes.

Gender discrimination

- Women in petty trade, domestic work, and unpaid family enterprise hold cash and gold at the household edge. Liquidity shock hit their turnover first.
- Seed-and-Earth families often keep women's accounts informal, so they had less access to new-note banks and digital wallets.
- Care loads rose when incomes fell; time poverty is gendered underemployment.

What did not happen

- A sudden leap into decent formal jobs. Formalization talk continued; informal lives absorbed the cost.

Flow diagram

Demonetisation -> Cash shock
Cash shock -> Informal job cut
Cash shock -> Women petty trade hit
Informal job cut -> Underemployment village fallback

Conclusion

Demonetisation did not accelerate growth in any inclusive sociological sense. It revealed and worsened informalization, underemployment, and gendered exclusion from liquidity. Growth that ignores the cash-and-care economy is a statistical hope, not a lived boom.

Facts & figures

November 2016

High-denomination notes withdrawn, a liquidity shock to informal India.

Informal majority

Most workers lack contracts; they transact in cash.

Unpaid family work

Gendered underemployment that statistics often miss.

Migrant cash wages

Daily-pay sectors that stalled when notes vanished.

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