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## Gains of Demonetisation

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After one and a half year of Demonetization, Indian Economy seems to have done away with all the negative impacts of Demonetization. The Economic Survey of India 2017-18, released just before the presentation of General Budget 2018 in Parliament has emphasized that all the negative impact of Demonetization of Rs. 500/- and Rs. 1000/- currency notes has ended. The Demonetization was announced as a surprise on November 8, 2016.

Apart from gold, cash is the most lucrative four-lettered word. The more of it, the merrier one is. Its lure is hard to resist. It has a natural characteristic of moving around in bigger denominations. When cash runs undetected through the clandestine underground channels of tax evasion and finds its way into the cupboards, bed-boxes and sofa sets, its colour changes to that of one associated with all the vices of human character: Black. This black money runs through the veins of the economy, thus bleeding it profusely and corroding the institutions of the body politic. Black money is the common thread running through smuggling, terrorism, bribery, human and drug trafficking, forgery, gambling and bloated real estate. It breeds complacency in the privileged class that chooses to gloss over every diktat to come clean on unaccounted money as just another form of window dressing by an inept, emasculated and hands-in-glove State and believes that it could bail itself out of any trap by a suitcase stashed with currency wads. This lies at the heart of dilemma of governance. Corruption causes despondency in the poor who keep yearning for justice and their legitimate share in the pie of development. However, genuine development is contingent upon the elimination of corruption and its most trusted aide: cash.

The tumour of corruption warrants a radical surgery and decisive leadership. Armed with a huge mandate for reform, one fine evening, the Government proceeded to pull the rug from under the feet of the corrupt. Demonetisation, whereby high-value currency notes worth one thousand and five hundred rupees respectively ceased to be legal tender, in effect removed eighty-six percent of the currency from circulation. By forcefully ejecting the crooked from their smug hideouts, the Government played the proverbial Pied Piper, but with an unparalleled vengeance. The crooked were trapped between the devil





and the deep blue sea. They were offered Hobson's choice: account for their ill-gotten wealth under the scanner of vigilant tax department or lie low and let go of their secret coffer. They tended to lose either way. The big fish were relentlessly pursued and nabbed. The defining headlines emerging in the aftermath of demonetization were: Rs. 48 crore seized in Bengaluru, Rs. 26 lakh held in Punjab, Rs. 3.86 crore caught in Kolkata, an air charter service grounded for carrying Rs. 3.5 crore in demonetized notes! The raid on Chief Secretary of a State after a nexus was discovered during a haul of Rs. 32 crore from a businessman proved that the long arm of the law would spare none.

The all-pervading antidote of demonetization was not painless, discomfiting honest, hard-working people as much as giving the dishonest sleepless nights. ATMs stopped spewing cash, currency chests of banks went dry and what seemed to be routine affairs till then had suddenly come to a standstill. The market was caught completely off guard. Crowds thinned and sales were badly hit. The slowdown in the economy was more than evident; barely had any of its sectors managed to stay unaffected. Tour bookings were cancelled and manufacturing sector became sluggish owing to low demand. The ordeal of negotiating serpentine queues at ATMs and banks for hours to withdraw one's own money pushed many to the edges. The daily modification in cash withdrawal limits during the fifty-day period for exchange of scrapped notes at banks did not help matters either and it gave the impression of a fledgling administration that was ill-prepared for undertaking such a mammoth exercise with almost zero preparation on the ground. Tempers rose and tensions frayed in the face of a shortage of cash. Unfortunate incidents of rioting broke out in some places. The angst over inability to pay for the smallest expenses often turned into violent protests culminating in attacks on bank officials. Personal lives of people were thrown out of gear as marriage ceremonies in many families were postponed. The rural parts of the country and the informal sector, where more than eighty-five percent of workers are paid in cash were more adversely affected. Overnight, many small-scale businesses in the hinterland and in the vicinity of towns had to shut shop due to non-availability of cash for covering the wage costs and daily operations. Jobs were lost and livelihoods were wrecked. Arrears in salaries shot through the roof. Grocery shops doled out essentials on credit. Artisans and traditional craftsmen suffered body blows. The impact of cash crunch was particularly severe in agriculture. Dependent as they are, conventionally on the flow of cash, farmers were unable to buy inputs such as seeds and fertilizers. There could not have been a more inopportune moment for demonetization as the sowing season was round the corner. Farm output plummeted and this added to the agrarian distress. There was hue and cry over the poor implementation of demonetization and the Opposition sought to paint the Government as insensitive. The compulsions of populist electoral politics compelled the treasury





benches to portray demonetization as a crusade against black money and later as a means to promote cashless transactions in consonance with the broader objective of achieving a digital economy. The opposition then accused the Government of shifting goalposts to deflect criticism over the monumental failure of what demonetization sought to accomplish. More than anything else, demonetization definitely resulted in upheavals everywhere.

Demonetization blatantly exposed the shortcomings of an economy overtly dependent on cash. It served a valuable and timely lesson on the market the market must reinvent itself. And it did; necessity is the mother of invention. Point-of-sale machines began to be installed on a war footing. Debit card transactions registered a steep increase post-demonetization. The digital economic grid expanded manifold. The resultant was that a phrase like electronic trail became a part of everyday parlance. Digital transactions leave an imprint that could be traced at a later date. Opening and operation of bank accounts got a renewed thrust as the message of formal banking system got amplified amidst the haze of demonetization. People tried their best to come on board the technological bandwagon. Internet banking, mobile banking and E-wallet companies gained traction in daily transaction scheme. Digital economy is identified with transparency and accountability. It eliminates anonymity that is the hallmark of cash-based economy.

Demonetization, as a major policy intervention, becomes more significant when it is scaled up to the nationwide level. For once, the tax base has been widened. The number of income tax returns being filed will show a substantial hike. This is a good news for a nation that is synonymous with a low tax base and lesser public spending. The Government shall have ample funds at its disposal for expenditure on welfare schemes, education, health and infrastructure. The cash windfall parked with the banks assisted in cleaning up their balance sheets. Previously, public sector banks were bogged down with high non-performing assets. This in turn shall lead to lower interest rates. Companies, irrespective of size, stand to gain as the cost of capital shall head in the southward direction. Business sentiment shall improve with easier access to credit. Distortions in the labour market would be smoothed as unscrupulous employers would not be able to get away. The goal of affordable housing for all may not be far from materializing in the wake of demonetization. Property prices are expected to stabilize and real estate shall not be a sanctuary for cash hoarders and tax evaders.

The cons of demonetization notwithstanding, people's faith in the Government did not wane. Not for an instant did they doubt the Government's intent to destroy the parallel economy, break the back of terrorist financing or to bring the nation on a par with the most developed ones. Ordinary law-abiding citizens were exasperated with a system regularly abused, exploited and fleeced by the princes





of black money. Like enthusiastic spectators on the ring side in a wrestling bout, they relished the assault on the lousy monster of deceit. The playing field appeared leveled after a long time. It was heart-warming to see the rich and the influential being brought to book. The status quo was upended and markers of a new code of conduct were unambiguously laid down. Prominent among them was that the impunity with which the system was taken for granted would not be condoned and deviations from the well-defined role of a tax-paying citizen shall extract a heavy penalty. A system deemed rotten beyond redemption got a new lease of life as departments of taxation, police, intelligence and mint worked in sync. The shock therapy brought about a paradigm shift in the propensity of people as consumers. The cobwebs of time were removed and a society deep-rooted in customs was constrained to grope for novel solutions. Though India was not ready for such a drastic measure, the fact that there was no widespread unrest in society during those turbulent but challenging fifty days showed that modern India had finally come of age. The nation was truly willing to accept the discomfort as just a passing phase in the brawl with black money. The nation persevered and succeeded!

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