

DEMONETIZATION: AN INITIATIVE FOR TRANSPARENT AND CASHLESS ECONOMY

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Abstract

Indian government has taken unprecedented, bold decision, when it declared that from the 8th Nov,2016 midnight onwards rupee 500 & 1000 banknotes will no longer be legal tender and instead of this new notes of Rs.500 and Rs 2000 note will be introduced. The reasons behind this historic action stated to resolve against the corruption, black money and counterfeit notes. The present article makes an attempt to evaluate the demonetization efforts of the government and tries to assess how far its objectives to curb the black money and making cashless India are achieved. The study is based on secondary data and it shows that painful experience though the whole nation experienced yet through this effort the question of black money has emerged to the center stage and we are moving towards becoming a less cash economy.

Keywords: Demonetization, Black Money, Digitalization, Corruption.

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Introduction:

Economies grow fast with the help of good institutions and organizations and hence, making of good institutions are very vital for the development of them as well as the societies. In India too, weak institutions were marring the development of Indian economy. At the dawn of Modi government, Indian masses were beleaguered and reeling under poverty, unemployment, corruption, etc. Parallel economy was inflicting death knell and transformation of the economy was withheld due to lack of innovation, mechanization and digitalization. It was a herculean task before Modi government to bring out the Indian masses from this gloomy environment and quagmire of non- development. A big push was required to avert the environment of policy paralysis and non-development. The Modi government took this daunting challenge with its ambitious, unprecedented and unscheduled step of demonetization of the economy on 8th November 2016. The announcement of this step by P.M. Modi took every one with surprise. It was clear that process of cleaning of the economy had started. It was also evident that with the initiation of this step ray of hope for the development of the economy had been introduced and every one had to share and shoulder the burden of difficulties, since it was a long drawn battle against a formidable enemy that had created parallel economy and jeopardized health and wealth of the nation and economy.

Black Money has always being a matter of great concern for any economy. It adversely affects gross domestic product (GDP) and promotes corruption. (Kapoor 2015)¹. Black money acts as a slow poison to the country's economy which if not controlled in time, becomes a formidable threat to economic stability of a nation. The problem of black money is not new in India. Government of India (GOI) has time and again undertaken various steps to fight against this menace. However, announcement of demonetization on 8th Nov, 2016 was the most significant one. Tackling corruption, discouraging counterfeit of currency and punishing tax evaders was the goal of this step. In his address to the nation, Honorable Prime Minister said that “the magnitude of cash in circulation is directly linked to the level of corruption” and it is expected that reducing the cash in circulation will help to reduce the corruption (Modi 2016)². Hence, with this step a

¹ Kapoor, C. (2016) Demonetization: Narendra Modi government ensured policy to be leak-proof. In The Financial Express. Available at <http://timesofindia.indiatimes.com/city/delhi/On-the-margins-of-society-demonetisation-haunts-them/articleshow/55423184.cms>

² ABP News Network. (2016). Viral Sach: Was PM Modi's demonetisation move leaked before official

new chapter in the economy was opened through which the aspirations of the masses were to be meeting. The present paper has made an attempt to take an overview of demonetization and its impact on making India a transparent and less cash economy.

Objectives of the Study are:

To find out

1. Effects of demonetization on reducing black money.
2. How far demonetization helped in achieving the goal of digitalization& cashless economy.

Method

The study is based on the secondary information. Various sources of information such as, books, journals, newspaper and relevant online resources have been used for fulfilling the objectives of the study. In order to concentrate on the objectives of the study, we have organized our study in four sections. Section-I is related to introduction of the paper. Section-II is concerned with demonetization and its impact on making transparent economy, while Section-III discusses converting India into digitalized and a cashless economy. Section-IV provides conclusion and a critical evaluation of the subject.

Section –II

Conceptualizing Demonetization & Black Money

Concept of Demonetization:

Demonetization is an act stripping a currency unit of its status as legal tender which a bring recession (Verma 2013), and it is performed by replacing old currency with new one³.

Concept of Black Money:

In 1971 Wanchoo committee report stated black income as “cancerous growth in the country’s economy which, if not checked in time, will surely lead to its ruination”⁴ Number of studies and researches have attempted to define the concept of black income but it is very difficult to get a

announcement? Available at: <http://www.abplive.in/india-news/viral-sach-was-pm-modisdemonetisation-move-leaked-before-official-announcement-444749>

³ M Singh & Vimal Shankar Singh, Impact of Demonetization on Digitalization and Parallel Economy of India. International Journal of Social Science & Development Policy, Vol.3 No.1. January-June 2017, ISSN: 2454 -5732, p.138)

⁴ Government of India, Ministry of Finance,1971p.6

correct, accurate and proper definition of black income. According to the National Institute of Public Finance & Policy (NIPFP) black income refers “the aggregates of incomes which are taxable but not reported to tax authorities.”⁽⁵⁾ Ministry of Finance, defines black money as ‘assets or resources that have neither been reported to the public authorities at the time of their generation nor disclosed at any point of time during their possession’⁽⁶⁾. Further, it added that in addition to wealth earned through illegal money, the term black money would also include legal income that is concealed from public authorities: sale tax, stamp duty, etc. It also includes evading payment of other statutory contributions and compliance with the provisions of industrial laws and/or other laws and administrative procedures.’⁽⁷⁾

The term black income may be summarized in the following points

- I. Income which don't come from legal source i.e. illegal
- II. Income which evades tax
- III. Income which escaped inclusion in national income estimate.

Black Money in India:

Several estimates have been made on black money and one of them is made by NIPFP. As per this study, though the GDP and black money ratio is on decline, yet still it is very high. According to this study, black money which was 15 to 18 per cent of the GDP in the year 1975 went down and constituted to 10 percent in the year 2012. However, in money term it has been increasing and was more than Rs. 10, 00,000 crore in the year 2012, while it was between Rs. 9,958 to Rs. 11,870 in the year 1975. (Table-1)

Table-1: GDP Ratio & Black Money Generation

Year	Estimates for black money (Rs. Crore)	Percent to GDP
1975	9,958 to 11,870	15 to 18
1980	20,362 to 23,678	18 to 21
1983	31,584 to 36,784	19 to 21
2012	>10,00,000	10

Source: NIPFP Estimates

⁵ Quoted in Black Money, White Paper (May, 2012), Ministry of Finance, Department of Revenue, Central Board of Direct Taxes, New Delhi, p.2.

⁶ Ibid

⁷ Ibid

Similarly, illicit financial outflow from the India has been on increase. According to Global Financial Integrity report on Illicit Financial Flows from Developing Countries, 2016 it was 19,447 million US \$ in 2004 from India. It rose to 83,014 million US \$ in 2013. Between this period on an average 51,029 million US \$ has been transferred every year from India, which is a very sizeable amount(Table-2).It further revealed that ‘compared with the 2014 IFF update, there has been very little fluctuation in the top ten grouping, with all countries in the top ten remaining. The top six countries have also stayed in the same order.’⁽⁸⁾ India stood at fourth place in this list.

Table-2: Illicit Financial Outflows from India, 2004-2013

(In millions of nominal US \$)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulati ve	Avera ge
19,447	20,253	27,791	34,513	47,221	29,247	70,337	85,584	92,879	83,014	510,286	51,029

Source: Illicit Financial Flows from Developing Countries: 2004-2013.Global Financial Integrity, 2016, p.8.

Black Money and Tax Compliance:

Tax compliance as percentage of GDP is also low in India. Gross tax revenue as percentage of GDP was 10 per cent in 2014, which was 9.6 percent in 2010 (Table-3). Collection of revenue from direct tax is more or less is constant during the period 2010 to 2014, however, it was almost on the rise, though very moderately, in the case of indirect taxes. It was hoped that with demonetization gross tax revenue will increase substantially.

Table-3: Gross Tax Revenue as % of GDP

Financial Year	Direct Tax	Indirect Tax	Gross Tax Revenue
2010	5.7	3.8	9.6
2011	5.6	4.4	10.2
2012	5.4	4.3	9.9
2013	5.5	4.7	10.2
2014 (BE)	5.8	5.0	10.9
2014(RE)	5.6	4.6	10.2
2014(P)	5.6	4.4	10.0

⁸ Illicit Financial Flows from Developing Countries, 2004-2013, Global Financial Integrity, 2016, p.8

Source: Union Budget documents and Controller General of Accounts, Ministry of Finance, GOI; Quoted by ‘A Study on Widening of Tax Base And Tackling Black Money’, FICCI, February, 2015, p. 8.

Strategies to Control Black Money:

The above facts shows that India was engulfed into quagmire of parallel economy and low tax revenue and only some drastic step could have saved it from its sickles and hence, a drastic step like demonetization was undertaken by the Modi government to curb black money in the economy. Demonetization refers to an act of stripping a currency to its legal status. In other words, demonetization is a process of removing a currency from its legal tender.

In order to strengthen this program certain other steps were also undertaken like.

- Making PAN Card and Aadhaar Card mandatory for person identity in operating India.
- Enabling the low cost bank transfer like NEFT/IMPS/RTGS and other formats under the Adhar scheme.
- Promoting the digital payment, control on holding of cash and physical money.
- Tax reform with the introduction of Goods & Service Tax (GST) so that cost of compliance become low & tax returns file should increase through the simple & easy online tax structure.
- Strict the regulation that increase the cost of black money like prevention of corruption Act.

Impact of Demonetization on Black Income:

Table 4 Major Currency in Circulation

Denomination	Volume (Million) mn			Value (Rupee) Billion		
		2016	2017		2016	2017
	March-2015			March 2015		
500	13,128 (15.7)	15,707 (17.4)	5,882 (5.9)	6,564 (46.0)	7,854 (47.8)	2,941 (22.5)
1000	5,612 (6.7)	6,326 (7.0)	89 (0.0)	5,612 (39.3)	6,326 (38.6)	89 (0.7)
2000	-	-	3,285 (3.3)	-	-	6,571 (50.2)

Source: RBI Annual Report 2016-17

Note: Figure in bracket represent the percentage share in the total volume/value.

Table 4 shows denomination wise major currency in circulation during March 2015 to June 2017. The table reveals that both volume and value wise denomination of Rs. 500 and Rs. 1000 had been on rise in 2016 from 2015. However, it went down in the next year due to demonetization. It is also apparent from the table that percentage of high value denomination of currency was very high during 2015 and 2016 in total currency in circulation. It was 85.3 per cent and 86.4 per cent, respectively. It is still high (73.4%) in 2017. It is also clear that more than half of the currency in circulation presently is related to high denomination of Rs. 2000 notes. The analysis shows that India is still having excessive percentage of high denomination notes after demonetization. Creation and circulation of Rs. 2000 notes is defeating the cause of demonetization. High denomination of notes creates corruption and accentuates the problem of black money further.

Table 5 Denomination wise counterfeit Notes Detected in the Banking System (April to March, No. of Pieces)

Denomination	2014-15	2015-16	2016-17
2 & 5	0	2	80
10	268	134	523
20	106	96	324
50	7,160	6,453	9,222
100	181,799	221,447	177,195
500(MG Series)	273,923	261,695	317,567
500(New Design)	0	0	199
1000	131,190	143,099	256,324
2000	0	0	638
Total	594,446	632,926	762,072

Source: R.B.I Report on 2016-17 p.126

Table 5 depicts counterfeit currency notes detected in the banking system and it shows that in the higher denomination of notes such type of counterfeit notes has been detected more. R.B.I. annual report reveals yet another important facet of fake currency detection and it shows that commercial banks detected 95.7 per cent of fake currency pieces (762,072) discovered during

2016-17 which was substantially higher than the previous year of detection (20.4 percent). This happened due to the demonetization exercise on 8th November 2016.

A recent study shows that demonetization of the economy has started paying dividend. The study of Direct Tax Collection Statistics & Income Tax Department, income tax return (ITR) filing has tremendously increased after demonetization. It increased from 43.3 million to 52.9 million from April 2016 to March 2017⁽⁹⁾. As regard to Income Disclosure Scheme 2016 is concerned Rs. 65,250 crore worth of black money was disclosed by the tax evaders and on this amount government got revenue of Rs. 293.6 crore as tax in 2016-17⁽¹⁰⁾. Union Budget 2017- 18 estimated that the annual growth of Tax collection would increase by 25.4% over 2016-17 revised estimate.

The most positive aspect that has emerged due to government scrutiny of black money transaction is advent of the shell companies to the knowledge of the government and its action against them. Shell companies in America are ‘a company existing as a legal entity but having no significant assets, independent business operations, etc., often owned or controlled by another company and used for various, often illegal purposes.’¹¹ The government of India black listed 300000 directors of shell companies recently and authorities ordered nearly 200,000 shell companies to be shut down. SEBI has directed recently that shares of 331 companies will be kept in Stage VI (highest stage) of the Graded Surveillance Measures (GSM) with immediate effect.¹² GSM is a framework of enhanced surveillance of companies to enhance market integrity and safeguards of interests of investors. “Securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets,

⁹ Income Tax Department Report, 2016-17.

Livemint analysis on “Has demonetization really boosted income tax collections”?

<http://www.livemint.com/Politics/C4Q8mpskSbfEzmG8ZWBY9H/Can-we-measure-demonetisations-impact-on-income-tax-collect.html> on 24 May 2017.

¹⁰ Finance Minister Speech on “Income Disclosure Scheme (ISD) In New Delhi on 1st Oct 2016.

Retrieved from

<http://economictimes.indiatimes.com/news/economy/finance/black-money-haul-rs-65250-crore-disclosed-through-income-declaration>

¹¹ (Shell Company in America. Webster’s New World College Dictionary, 4th Edition. Copyright © 2010 by Houghton Mifflin Harcourt. All rights reserved E:\Demonetisation\Shell company definition and meaning Collins English Dictionary.mht)

¹² (E:\Demonetisation\Inside the shell What Sebi’s rap to non-trading firms indicates The Indian Express.mht, August 10, 2017 12:17 am)

Net worth, P/E (Price/ Earnings ratio) multiple, etc.” will be put under GSM.¹³ These efforts will no doubt pay dividend in the long run in curtailing black money.

It is clear that after demonetization, it has become difficult to evade taxes any more. Tax evaders are forced to disclose their income to let them free from the fear of financial penalty and social condemnation. These two factors would deter them away from holding of black money in future too. Tax administration has been improved through adoption of GST. It is expected that this measure would improve the tax GDP ratio in the economy and enlarge formal sector. Further, demonetization will help in informal savings and sector. The protagonist of demonetization feels that due to large deposits of cash and also with credit multiplier effect, bank would be able to offer loan at lower interest rate. Not only formal sector but also informal sector of the economy would also be able to access more cheap funds from the banking sector. It is hoped that these exercises will surely enhance the growth of the economy.

Section III

Demonetization, Digitalization & Cashless Economy

Relation between Cash and Corruption:

R.B.I in its first press release stated that goal behind the demonetization was to undertake for “tackling counterfeiting Indian banknotes to effectively nullify black money hoarded in cash and curb funding of terrorism with fake notes (RBI, 2016)¹⁴. Thus, reducing corruption, punishing the tax evaders and black money hoarders, controlling the funding for terror activities was the basic objectives of demonetization. Both R.B.I and GOI emphasized that plentiful cash in circulation causes corruption so in order to move towards a more transparent and ethical economy, reduction of cash was vital. India uses too much cash for transaction. The ratio of cash to gross domestic product is one of the highest in the world-12.2% in 2014, compared with 9.47% in China and 4% in Brazil. Only less than 5 per cent of all payments took place

¹³ Ibid

¹⁴ RBI. (2016). Withdrawal of Legal Tender Character of existing 500/- and 1000/- Bank Notes. Available at: <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI11270CF2F17E86E4C5F92FEDFFDF8820934.PDF>

electronically.¹⁵ The relationship between cash and corruption is well documented in the Economy Survey which stated that “higher the amount of cash in circulation, the greater the amount of corruption” is possible (MoF, 2017)¹⁶. Economic Survey observed that Soil rate of higher denomination value notes is much lower than the lower denomination notes. Report observed that 11% of 1,000 and 22% of 500 rupee notes are not refunded to R.B.I every year where as soil rate of lower denomination notes is 33%. This clearly indicates that some of the higher denomination notes are not being used for transactions but for storing as black money¹⁷. There is another reason too for adopting cashless economy. As per Watal Committee, carrying cash is expensive. According to Institute for Business Global context, cost of imposing cash is almost 21000 crore INR that includes various operation of currency.¹⁸ Hence, in the last few years India has taken major initiative to convert its economy into cash less economy. Demonetization was one of such initiatives that have given the country an opportunity to move towards making India “cash less economy”. Apart from that, GOI and RBI initiated several steps to boost less cash economy and they include: (i) reduction in the merchant discount rate (MDR) and point of sale (POS) fees; (ii) monetary incentives in the form of discounts and prizes; (iii) service tax relief on MDR for small transactions; (iv) waiver of charges for small value transactions under Immediate Payment Service (IMPS), Unified Payment Interface (UPI) and Unstructured Supplementary Service Data (USSD); (v) broadening Prepaid Payment Instrument (PPI) reach by enhancement of limits; (vi) introduction of a new category of PPIs; (vii) permitting banks to issue PPIs to a larger set of entities; and (viii) permitting National Payments Corporation of India (NPCI) to launch (a) the common app for UPI; and (b) National Electronic Toll Collection (NETC) system.¹⁹ In addition to these several other steps have also been initiated to boost non cash payments such as the government waived service tax (15%) on

¹⁵ E:\Demonetisation\Cashless Society – Civildaily.mht

¹⁶ MoF. (2016). Notification S.O. 3407(E). In: The Gazette of India
. Available at: www.finmin.nic.in/172521.pdf

¹⁷ MoF. (2017). Demonetisation: To Deify or to Demonize? In: Economic Survey 2016-17.
Available at <http://indiabudget.nic.in/es2016-17/echap03.pdf>

¹⁸ M Singh & Vimal Shankar Singh, Impact of Demonetization on Digitalization and Parallel Economy of India. International Journal of Social Science & Development Policy, Vol.3 No.1. January-June 2017, ISSN: 2454 -5732, p.138)

¹⁹ Macroeconomic Impact of Demonetization, A Preliminary Assessment.RBI, March 10, 2017, p.38)

credit and debit card transactions of up to Rs2000 in December 2016, which increased debit card transactions at merchants by 35%. Furthermore, the State Bank of India, waived merchant discount rate (MDR) charges on debit card transactions.²⁰The process of digitalization that was initiated well before demonetization, however, got impetus after demonetization.

Trends of India's Digital Payment System:

'Digitalization means the use of digital technologies (digitized and natively digital) in order to create revenue, improve business, replace/transform business, (not simply digitizing them) and create an environment for digital business, whereby digital information is at the core'⁽¹³⁾. Demonetization of higher denomination notes by the government of India has accelerated the growth of digitalization. India's digital payment system has been growing robustly from last few years, due to its advance development in information and communication technology (ICT). Introduction of MICR clearing in 1980s; electronic clearing service & electronic fund transfer in the 1990s; issuing of credit & debit cards through banks in 1990s; interconnectivity of ATMs throughout the country in 2003; introduction of the RTGS & NEFT in 2004 are some of the initiatives that has been introduced by the government. Apart from above many non- banking institutions have introduced digital payment mode such as pre- paid instruments (PPI), mobile & digital wallets, etc. During the demonetization National Unified USSD Platform (NUUP), and BHIM application has been launched.

Growth Trends of Digital Payment:

Table-6: Growth in Selected Electronic Modes of Payments (y-o-y)

Category		Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017
NEFT	Volume	16.2	23.3	39.0	38.0	34.5
	Value	37.6	38.3	40.8	60.2	49.5
CTS	Volume	-1.1	23.0	58.4	52.7	20.2
	Value	2.9	8.6	13.0	19.3	0.8
IMPS	Volume	116.7	89.6	157.2	177.7	150.4
	Value	150.7	135.9	186.6	196.7	184.2
NACH	Volume	53.0	30.8	58.3	19.8	- 0.9
	Value	89.8	76.3	116.7	22.8	54.2

²⁰ E:\Demonetisation\India paves its way to a cashless economy - Growth Markets.mht. 14, July, 2017)

Source: RBI Bulletins and Press Releases on Electronic Payment Systems-Representative Data. (Quoted in Macroeconomic Impact of Demonetization-A Preliminary Assessment. RBI March 10, 2017. P.39)

Table 6 shows year on year volume and value wise growth in selected modes of payments. In the early weeks of demonetization, the initial digital activities levels were low. It was because people were pre-occupied with depositing notes with the banks. However, since Oct 2016 till January end 2017, one can observe a spurt in the growth in electronic modes of payments. This was the period of progressive re-monetization of the economy. In Feb 2017 it somewhat moderated, however, no significant reason can be attributed.

On the other hand growth trends in the use of different modes of digital payment in volume term during 2011-2016 shows that digital payment was on rise and barring some modes of payment, in every other mode of payment there was spectacular growth. In the case of Paper Clearing, percentage change in growth was negative (-16.5%) and in the case of Paper Vouchers, percentage change in growth was minimal (16.7%). However, percentage change in the cases of Prepaid Payment Instruments (1017.4%), Retail Electronic Clearing House (352.6%), Usage of POS (150.2%), and Usage at ATM (138.1%) were very significant. This trend continued in the period of demonetization too (Table-7). In Table-7 a

Table 7 Recent Growths in Digital Modes of Payments

Category	Volume in Million, Value in Rupee in billion					Change %	
		Nov-16	Dec-16	Jan-17	Feb-17	Feb-17 over Nov 2016	Feb-16 over Nov-15
NEFT	Volume	123	166	164	148	20.4	10.4
	Value	8808	11538	11355	10878	23.5	14.3
	Average ticket size(₹)	71583	69376	69159	73397	2.5	3.5
CTS	Volume	87	130	118	100	15.3	18.0
	Value	5419	6812	6618	5994	10.6	19.2

	Average ticket size(□)	62236	52395	55873	59677	-4.1	1.1
IMPS	Volume	36	53	62	60	65.2	25.1
	Value	325	432	491	482	48.5	23.2
	Average ticket size(□)	8982	8183	7870	8071	-10.1	-1.4
UPI	Volume	0.3	2.0	4.2	4.2	1346.1	-
	Value	0.9	7.0	16.6	19.0	2001.2	-
	Average ticket size(□)	3150	3565	3995	4577	45.3	-
USSD	Volume	0.007	0.102	0.314	0.225	3091.9	-
	Value	0.007	0.104	0.382	0.357	4789.4	-
	Average ticket size(□)	1037	1015	1215	1589	53.2	-
Debit & Credit cards & Cards at POS	Volume	206	311	266	212	3.3	3.9
	Value	352	522	481	391	11.1	-5.6
	Average ticket size(□)	1714	1679	1812	1844	7.5	-5.6
PPI	Volume	59	88	87	78	32.8	4.3
	Value	13	21	21	19	41.9	15.2
	Average ticket size(□)	224	242	241	239	6.8	10.4

Source: For FYP 16, full data from DBIE, RBI; for 2017, RBI Daily Press Release on Electronic Payment System- Representative Data.

comparison has been made regarding change in percentage between two periods, i.e., ‘Feb-17 over Nov-16’ to ‘Feb-16 over Nov-15’ relating to recent growth in digital modes of payments. It is evident from the table that except CTS mode of payment in which both in volume & value term percentage change over previous period is low and Debit & Credit Cards at POS in volume

has declined; growth in every other mode of payment has increased significantly both in volume and value term. Similarly, an overall spectacular growth (40%) is visible (Figure-1) in E-Wallet, Credit Card and Debit Card transaction between Oct.-16 and April-17. Growth between those periods was 72%, 11%, 71%, respectively.

E Wallet, Credit Card and Debit Card Transaction Value in India (INR billion)

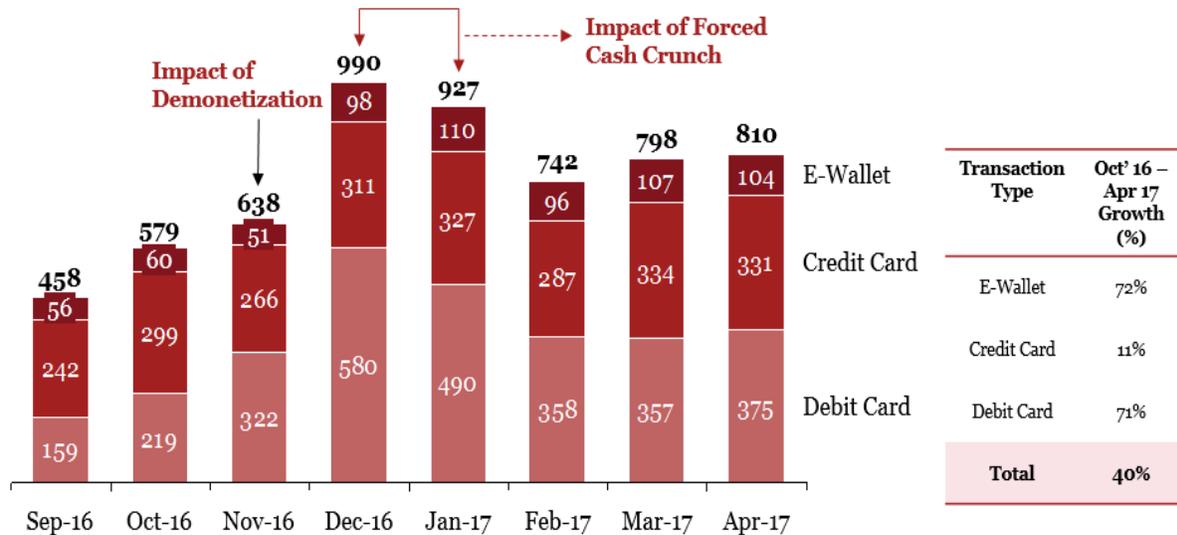


Figure 1: E wallet, Debit card and Credit card value of usage (RBI database, PwC analysis)

Source: E:\Demonetisation\India paves its way to a cashless economy - Growth Markets.mht. 14 July, 2017

Above discussion shows that several steps have been taken to encourage the digital transaction and payment in post demonetization period and it is found that demonetization pushed the growth of digitalization ⁽²¹⁾ It helped the people to realize that financial activities through electronic payments are convenient as well as feasible. Now more people and households prefer to use digital mode for their transaction. About 21 percent growth has been recorded in digital transaction after 8th November 2016⁽²²⁾. Another significant aspect that has emerged due to digitalization is linking of Aadhaar ID directly to a bank account and it eliminated fake and

²¹ NPCI, National Payments Corporation of India

²² NPCI, monthly digital transaction affluent consumers.

duplicate beneficiaries from the government. Government saved \$ 9 billion from this²³. Nandan Nilekani, the former Chairman of the Unique Identity Development Authority of India is of the firm view that in the new world of data economy, identity authentication, frictionless payments, paperless transactions are important layers of the new digital economy that is what India has adopted, can leapfrog any economy²⁴.

Section-IV

Conclusion:

The above discussion brings out the following facts, that:

- Black money was rampant before demonetization,
- Striking black money and inducing digitalization in the economy was the objectives of this action,
- Government action hammered the black money hoarders well,
- Digitalization is taking place fast now.
- We are on the way of becoming cashless economy, though, not likely in near future.

The above analysis, though, provided some detailed assessment of the introduction of demonetization by the Modi government; however, a more incisive discussion is still required to make it a fruitful dialogue. The assessment of the government should be based on the progress it has made in reducing black money from the economy and inducing digitalization. Apart from that one should also assess the entire exercise of the government which it had adopted for making success of the demonetization program.

Demonetization by the government has no doubt brought the question of parallel economy to the center stage of discussion. However, the results of this exercise are not very encouraging. The last quarter of this fiscal shows that there is a decline in the GDP growth rate⁽²⁵⁾. Many feel that it was a right step without proper thinking. Common masses had horrifying experience. The

²³ E:\Demonetisation\Narendra Modi Aadhaar helped Modi government save \$9 billion Nandan Nilekani.mht.Oct 13, 2017, 07.25 PM IST).

²⁴ Ibid)

²⁵ Demonetization pulls down India GDP growth rate to 6.1% in Q4 2016-17. www.livemint.com Thu, Jun 01 2017, 07.30 AM IST

country experienced more than 180 deaths. All activities became stand still. There are social, political and economic ramifications of this one act of the government. This act of the Modi government has exposed the style of Modi governance. Till this policy decision of the Modi, Modi style of functioning was not exposed. Until then Modi was harping on the shoulders of private sector to make his policy decisions successful. However, this policy decision was more and directly concerned to sharpness and fastness of his government and the public sector where it miserably failed. In order to conceal his failure time and again his government was concealing the facts like dearth of new notes in the name of recalibration of ATM machines; announcing two days closure of ATM by Modi and telling that after that everything will become fine; buying 50 days' time and assuring public that by December end 'India of your dreams' will emerged, etc. ⁽²⁶⁾. In 43 days RBI issued 60 notifications regarding withdrawal and usage of currency, which added great confusion. There had been innumerable statements from both the government and the RBI since November 8 that added to the confusion regarding rules, usage and exchange policy for the old currencies. ⁽²⁷⁾ Apart from that, it should not be ignored that demonetization is not the core solution to fight against black economy because only a small proportion of black money is in cash form. Despite these negative facts regarding demonetization, one can hope that in the long run, through digitalization and other steps undertaken by the government, Indian economy would emerged stronger.

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