



"DEMONETISATION 2016"- WAS AN ECONOMIC OR POLITICAL WILL?

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ABSTRACT:

This research paper critical evaluate the NDA Government demonetisation step in the year 2016. Has the government achieved the objectives that were intended behind the demonetisation step? This paper also highlights the different perspective of the government behind the demonetisation.

KEYWORDS: *critical evaluate , NDA Government demonetization.*

INTRODUCTION

On 8th November 2016, Indian economy felt tremors, not from the earthquake but one of the biggest move by NDA government so-called "Demonetisation" or in local language it is called "Notebandi". The Indian Prime Minister Mr Narendra Modi announced to scrap Rs500 and Rs1000 denomination currency notes as legal tender money and also announced the issuance of new Rs500 and Rs2000 in exchange for the demonetised notes. It was not the first time that the Indian Government uses the sword of demonetisation, it was happened in past too, first in 1946 and the second in 1978. The major difference between the 2016 demonetisation and 1978 demonetisation is that the circulation of demonetised notes. In 2016, 86% of total currency in circulation in India was in Rs500 and Rs1000 demonetised currency notes whereas in 1978 the demonetised notes had a count of 15% in the circulation i.e. the economy faced much more wound caused by 2016 demonetisation sword as compared to the other two in past.

OBJECTIVE:-

The administration said that the primary target of the activity was checking dark cash which included pay which had not been accounted for and in this way was untaxed; cash increased through defilement, illicit merchandise deals and criminal operations, for example, human dealing; and fake money. Other expressed goals included growing the duty base and expanding the quantity of citizens; lessening the quantity of exchanges completed with money; decreasing the accounts accessible to psychological militants and radical gatherings, for example, Maoists and Naxalites, and incorporating the formal and casual economies.

CRITICAL EVALUATION:

Demonetization has been one of the most condemned moves by PM Narendra Modi and a large number like previous Prime Minister Manmohan Singh to previous RBI Governor Raghuram Rajan additionally chastised this move and its effect on the Indian economy. The administration evaluated that Rs 3 lakh crore, or roughly 20%, of the demonetised banknotes, would be for all time expelled from flow. Notwithstanding, as indicated by a 2018 report from the RBI, roughly 99.3% of the demonetised

banknotes around Rs 15.30 lakh crore of the Rs 15.41 lakh crore that had been demonetised, were stored with the financial framework.

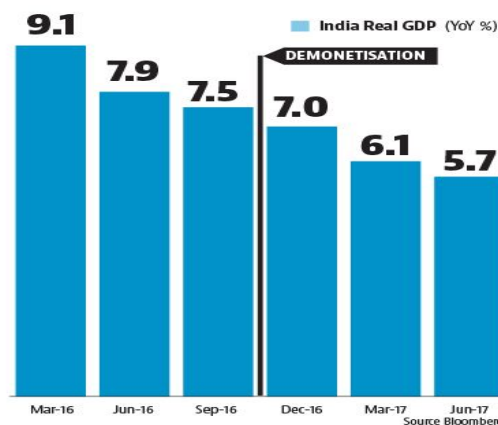
Some Economist, Non-NDA Politicians and entire generally public dissent on the method of implementation. Entire lower and Middle class suffered the grunt of Demonetisation because like the richer class they do not have the links or methods through which they convert their old currency notes with the new ones. The poor people generally the daily wage earners had to sacrifice their work and earning because of standing in a long queue in banks for days to convert or deposit their demonetised currency notes. Everyone had the same view that the banking system was not prepared at all to face the heat of demonetisation. At the time of demonetisation, the Banks doesn't have enough new currency to replace the old ones and also had a short of manpower.

One of the major criticism for demonetisation is that the various incident of death due to demonetisation. Some Bank officials lost their lives because of a heart attack due to continuous work pressure. Some people from the general public even had a heart stroke due to standing in a long queue in banks, some had done suicide because they were unable to face mental trauma arises due to the impact of demonetisation. One of Rajya Sabha elected member Mr Ghulam Nabi Azad stated in Rajya Sabha that more than 100 people have died because of demonetisation but the government refused to pay tribute to the deceased. We completely condemned any policy of the government which resulted in the death of innocent people. I don't know how the government would justify the impact of demonetisation on such a ground.

When the government announced the demonetisation, they said the general public would have discomfort for doing day to day basic transactions only for a short span but they also had given the solution by using more of digital mechanism for making payments e.g. by using Paytm wallet, debit/credit card payments, Cheque payment e.t.c. But the question is that how many people capable of using such a mechanism? I cannot understand how the government ignores the facts that the economy doesn't have the proper infrastructure of adoption such a digital mechanism. Why the government couldn't differentiate the rural areas with urban areas by giving such a solution of adopting digital payments. As we all know the rural people had a less of resources and a less of knowledge for adopting digital mechanism even if we classify the economy through age-wise or educated-wise then we can simply state that the elder people and less educated people have a less of knowledge in adopting digital payment mechanism.

**FAILURES OF DEMONETISATION:-
Economic Growth slows down**

After demonetization, Indian Economy growth rates started declining. Within the year after demonetisation, GDP growth rates slips from 9.1% to 5.7%. Month-wise GDP growth chart for the period March 2016 to September 2017 as shared by Bloomberg emphasizes this fact as detailed below:



Real estate sector bears the brunt

The three actions of the NDA government which were demonetisation, RERA and GST resulted into decline in the growth rate of new property projects. New housing units supply in the top-6 cities in India in the first three quarters of 2017 was declined by around 60 per cent, as compared with the previous year 2016.

Impact on MSMEs

Demonetization had a worse effect on Indians MSMEs (Medium, Small and Micro Enterprises). Various medium and small enterprises turned shut down, however, the micro industries were affected by the worst of its wrath. The micro-industry owners were not a part of the black economy and they were unprepared for the effects of demonetization. Many micro-industry workers returned to villages and the growth rate of these companies went as low as 1% during that phase. Many factory owners in outskirts as well as in main city shutdown their business units for a couple of months because of no demand for their output, no cash for paying wages etc. During this phase, a large section of the informal labour sector becomes unemployed.

Economic Step or Political Step:

As per experts and some economist, black money is generally used in buying gold, real estate assets and spending on luxurious items. According to them, people generally hold 1% of the entire black money in cash only. So the government objective to tackle the 1% black money is not digestible. Similarly, another objective of the government behind demonetisation was to combat terror funding by curbing the counterfeit notes. This objective of the government has met but only for a few months, because a few months after the demonetisation, Delhi police arrested some people who had counterfeit notes of the new currency. That means this objective has not been fulfilled through demonetisation. So the main question arises is that why the government took this step? It is impossible that the government was not aware of the negative implications of demonetisation. There is another point, we all know during elections lots of money(Cash) is used to lure voters through different political parties and we also know "Uttar Pradesh" state is so crucial in terms of Indian politics point of view. In 2107, seven states had state legislative elections and Uttar Pradesh was one of that from these seven states. Demonetisation was announced in 8th November 2016 and a few months later there were elections in Uttar Pradesh and other states as well. Through Demonetisation, NDA government deactivated the cash which could be used in these elections by rival parties and as a result, six out of seven states, the NDA and its allies won the elections. So what the NDA government wanted to achieve through demonetisation has achieved.

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