



DEMONETISATION: ONE LAST QUEUE TO END ALL QUEUES

The era of digital India and way forward for cashless economy-

Ever since the decision of government to withdraw the legal tender of INR 500 and INR 1000 currency, there is a mix reaction among all section. Scholars like Noble laureate Amarty Sen terms, "Demonetisation is a despotic move". But the historic action should be analysed cautiously in the light of socio-political and economic perspective of India.

Is this a new move?

Although November 08 2016 move is the first since 1991 economic reforms, nevertheless India had witnessed another two moves in January 1946, January 1978.

This historic movement will make the way forward for cashless economy. Not only this it will also curb black money, death blow to terror funding and would certainly stop counterfeit currency and many more. Before we go *in-depth analysis*, there is a need to understand **what is demonetisation? What is cash economy, how does cash flow in the market? What is cashless economy?**

Demonetisation is the act of stripping of currency from its status as legal tender. It is necessary whenever there is a change of national currency. The old units of currency must be retired and replace with new currency.

PROCESS: CASH FLOW IN MARKET

The crude difference between cash economy and cashless is that, the earlier in which most transactions are made by physical currency and later where transactions are made through online i.e. digitally or in other words there is a minimal use of physical currency.

What is the move?

INR 500 and INR 1000 currency ceased to be legal tender and are replaced with new INR 500 and INR 2000 currency.

Understanding demonetisation from Economic and socio-political perspective

Black money and impact on it

Black money is money which is earned by illegal means or has not been disclosed before legal tax authorities. Government of India had given many chance to its citizen to disclose the undisclosed money under **Income Disclosure Scheme** where immunities also have been given **under IT Act 1961, Wealth Tax Act 1957, Benami Transactions(Prohibition) Act 1988**. Starting from constituting SIT (special

investigation team) headed by **M.B. Shah**, later formulating the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**, NDA government has taken many measures. Other measures include the passage of Multi-Agency Group(MAG) on Panama paper leaks and passage of **Benaim transaction Bill, 2015** etc. But many have not disclosed so far as a token of ignorance.

So, banning the legal tender of old INR 500 and INR 1000 currency, person holding huge cash will certainly face difficulties. Because the value of money is zero now and can't be used in any transaction. And going to bank for depositing the money will certainly made them under the purview of legal scrutiny. In other words, there is no way other than disclosing it as black money and paying tax for same as per guidelines, if one wishes to get at least some value out of it rather than getting nothing by not disclosing.

So, here after every transaction made digitally will not only improvise the habit of people but also will put a check on the transactions made digitally, as amount of money present in Bank account has to be explained with source of income before the legal authorities.

In India, major portion of transactions are made in cash. But demonetisation has certainly forced the market to go for cashless economy. It will also reduce the expenses made upon printing and handling of physical currency. However, we should not ignore the negative impact of demonetisation.

Impact on market: who suffers and up to what extend

At least this move has brought rich and poor in same platforms in terms of value of money. But there has been a huge impact on general traders, poor, farmers, small vendors especially unorganised sector who are far away from digital era. They have been facing shortage of demand due to volatility of market. But in a long run many unorganised sectors will be streamlined with main economy.

How does it curb terrorism and its funding, insurgency, counterfeit currency and impact on our Red Corridor!

In the era of global problem like terrorism, **stopping terrorists funding is one of major way to curb the menace of terrorism**. Many terrorists funding are done with cash, there is a view that Pakistan sponsored terrorist will meet blow because of demonetisation move, as they will certainly get difficult to get the new currency for their transactions.

Not only this, it is also in view that it will curb the counterfeit currency which are traded within India and outside also, especially from Pakistan, this is a serious death to their action, because many security measures have been adopted in the new currency and almost impossible to copy it.

Nevertheless, it will also make difficult to the operations of many extremist groups that are active along *Red corridor of India*, because their transactions are done only in cash.

From Constitutional and legal perspective: Does it infringes our Fundamental Rights? What does Directive principle and Fundamental Duties say?

The move was based on **Section 26(2) of RBI Act, 1934**, which allows only withdraw of a series of particular currency but not whole of it as done in this case. **Right to withdraw can be drawn under Article 21-Right to live with dignity and Article 19 –Rights regarding certain freedom**, though some legal expertise are in view that sudden demonetisation and a certain cap on withdraw of money from bank account infringes our fundamental right to withdraw. **DPSP (Directive Principles of state policy)- Article 39** states that the operation of the economic system does not result in the concentration of

wealth and means of production to the common detriment. It is a good step towards achieving this goal. **Article 51A -Fundamental Duties** talks about developing scientific temper, humanism and spirit of enquiry and reform. Indeed, this reform is going to cause a positive impact in near future. Other expertise view the government's move in a positive way as there is nothing called absolute right and government may impose certain restrictions as per constitution for welfare measurements and necessities.

Conclusion

As our *Prime Minister Hon'ble Shri Narendra Modi* quoted "**One last queue to end all queues**", although people are facing temporary discomfort, recent demonetisation indeed will leave a positive foot print in the long run, which would not only help in uplifting India's GDP but also would help in achieving the **Digital India mission**. Also, **JAM (Jandhan, Adhar, Mobile)** will be the game changer to quote "**one person, one account**". This type of **financial inclusion** will truly meet the globalisation era with other countries. *It is soon we can believe that each and every person would come into the main stream economy and would able to contribute in **India's inclusive growth**.*

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