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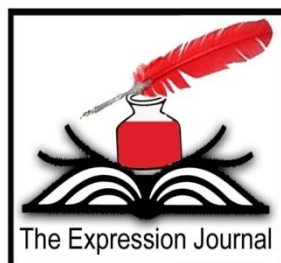
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## **DEMONETIZATION: 2017 AND THE SHIFT OF INDIAN POLITICAL VIEWS**

**Nishu Tanwar**

**Bachelor of Arts**

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**University Institute of Media Studies**

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### **Abstract**

New authority and governance enforce the law in viewpoint to curb black money that is depriving the nation of its growth and prosperity. A historical initiative that followed hues and cries altogether resulted in reprimand and an unorganized failure. Indian economy, a developing nation, is an amalgamation of both contemporary and conventional mindsets with unusual policies. One such ordinance was brought in the year 2016; powerful enough to restrain the economy, cash flow and absolute Indian share market. Impacts are always both, positive and negative; humongous shock was the shift of political ideologies of a common Indian man.

### **Keywords**

Demonetization, Ban on Old Currency, Impact on Indian Economy, Black Money, Indian Politics, Cashless Transaction.

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### **Introduction**

Indian Politics – The Dance of Democracy is another coined term for it. Though, on the ground level – it is an arena of politicians, who have armored up with policies for National welfare. The situation was unconventional when the Modi era began. After the parliamentary elections of 2014; the Nation was filled with enthusiasm because of the Modi wave as after decades a stable government was elected. The economy and share market were hitting high. The government was witnessing smooth workflow till November 8th, 2016 and then DEMONETIZATION came into play. This meant that notes of Rs. 500 and Rs. 1000 are no legal tender anymore. One of the most controversial decisions taken by the cabinet of ministers headed by the Prime Minister in the history of India; made India go cashless. Hence, the real shift of politics began on November 8th 2016 at 8: 00 PM that left doubts about the current government in every Indian mind. 2017 became the year to cope up with the latter effects, both adverse and positive.

### **Demonetization: The Leverage**

The Ordinance was called The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 that was replaced by The Specified Bank Notes (Cessation of Liabilities), 2017 Act on March 1, 2017. The Leverage given to the people of India was 50 days from November 8th to December 30th for depositing old currency notes of Rs. 500 and Rs. 1000. The issuance amount was Rs. 2000 in new notes of Rs. 500 and Rs. 2000. This issuance amount or daily withdrawal limit was increased to Rs. 2500 in the mid of November and then Rs. 4000 from the beginning of 2017. Likewise, new withdrawal limits were outlined in the case of crop loans and wedding expenses.

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## **Demonetization: The Inspiration**

The foremost inspiration behind demonetization is to cease the black money and stop illicit practices (such as drug dealing, gambling, tax invasion, fraud, arms trafficking, money laundering, corruption); because more than 90% of the transactions were done in cash; the old notes of Rs. 500 and Rs. 1000 consisted of more than 86% of the Indian cash economy. This left most of the population either cashless or in line with ATMs.

Economist and Nobel prize Laureate Amartya Kumar Sen referred to demonetization as a conundrum of potential problems. He called it misery for people, where millions of innocents will be deprived of their money and will suffer in inconvenience to get it back.

Even as per the former Prime Minister and economist Dr Manmohan Singh – demonetization is considered to be having the worst effects on agricultural industry, small scale industry and informal sectors of the nation's economy.

Former Chief Economist of The World Bank Kaushik Basu called it a new emerging pond for the black market, in which a large amount of illicit cash to be broken into smaller parts and to be deposited by team members. Mr. Basu also said that the action will hurt innocents of the country, who has nothing to do with illicit activities.

On other hand Current Minister of state for finance Mr. Arun Jaitley vision demonetization as an NPA problem solver for Indian Banks. So, banks can have more money to lend to other sectors of the economy.

## **The Positives and the Negatives**

Though the corruption hasn't still stopped and it will not in near future; because in India such practices always find their way to stay in put, but from the year 2016 to 2017 the filing of income tax returns increased from 43.3 million to 52.9 million. Yes, no banking system has gone sophisticated but the direct tax to GDP ratio has increased from 0.2% to 0.8% means from Rs. 40,000 Cr to Rs. 1.25 Trillion from 2017 to 2018. There was an initial decline in terrorism rates in Jammu and Kashmir, and Naxalite activities in Chhattisgarh.

Banning a currency overnight obviously comes up with adverse effects; not only because of public hatred but also cause of lack of preparation from the government's end. Neither the Nation was ready nor the leaders with a full-fledged plan of execution. The topmost pessimistic reasons are that demonetization has destabilized the economy of India; no illegitimate or black money has been eliminated. Rather than affecting the rich – this initiative affected the poor and the middle class such as daily wage workers (vendors on the streets, migrant labour workers etc). To keep in memory demonetization affected the liquidity but for the short term, while affecting businessmen from the middle class such as small traders, real estate dealers and private transport sector owners. These businesses are mostly run on cash, but with a cashless economy that is yet learning the usage of digital money is a recipe for economical disaster. The government tends to claim that after the implementation of the demonetization ordinance, all the black money will wash off but no such situation happened. As per data, 99.6% of the money came back to the system and here the question arises where the black money is? Hence, another reason why demonetization as a decision failed.

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The stock market took it a little bit too hard because Indian shares fell more than any other shares of the Asian Market. Though the action — demonetization was taken just to curb the black money it affected other businesses, the Indian economy and the common man's life in an off-putting manner. Demonetization would have come out in constructive light if there was proper execution and if it literally stopped corruption or black money as an issue of some sort.

## **Conclusion**

This crushed the positive wave of PM Narendra Modi and highlighted him in a doubtful light. It has been more than a year; the demonetization picture is getting clear as a blunder of inconvenience that sorted the least economic problems and rose tons of uncertainties — for people and current government. The mix of demonetization with Goods and Sales Tax was an eccentric whirlpool in the creation of more confusion. As GST is one of the biggest tax reforms in India since independence and demonetization is another humongous economical step taken by the Government of India. The worst part is none went well as corruption know how to pave its way and for the middle class all the goods and services are more expensive than ever.

The sight of Indians has started to shift from PM Narendra Modi, yet knowing of no other better leader to this world's biggest democracy. Economic policies since 2016 are doing no justice to the Indian common man even as per the economists.

According to Wharton professor of management Jitendra Singh "What will have been gained from this step, and at what cost and mostly borne by whom?"

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