

EDITORIAL

Money is generally defined as something that serves as a medium of exchange, a unit of accounting and a store of value. Basically, there are three main functions of money. The first and the main purpose of money is to provide a medium of exchange for buying and selling. The second purpose is the discharge of obligations such as taxes, fines and debts; and the third purpose is to provide a standard of value – a way of comparing the value of different kinds of goods and services.

With the evolution of human society money has taken different forms. From metal coins to paper currency to credit cards and now to electronic money, its form has changed with the passage of time, development of technology and need of the economy. Money is not only cash in hand but also bank and post office deposits which can be used to make payments. Earlier, money had an intrinsic value in terms of the metal (copper, silver, gold, etc) contained in it. Now it is paper money which has little intrinsic value compared to the value it represents (Kumar, 2017). People keep money for handling unforeseen situations and also hold it as a store of value. So, it is considered as one of the items in the assets accumulated over time. India is characterised by a large unorganised sector which uses more cash and less of bank transactions, and that reduces the value of the multiplier in the economy. Therefore, managing an economy's money is among the most important tasks of the government.

The present issue focuses on the processes of demonetisation and its short term and long term implications on the socio-economic life of a developing country like India. Demonetisation - a type of currency reform – is all about withdrawal of the high denomination currency notes (Rupees 1000 and Rs. 500 in case of the government's recent measure in India) as legal tender and slowly replacing them by new currency. It is not a new concept. This measure is usually taken to monitor the chronic problem of money hoarding, corruption and counterfeit currency in any country. Thus, demonetisation is considered as the biggest cleanliness drive against black money and a move towards a sudden but long lasting behavioural change to encourage digital economy apart from getting rid of many existing social problems which are directly or indirectly related with the circulation of high denomination notes.

In the history of India, demonetisation was undertaken twice, once in 1946 and the second time in 1978. The earlier decisions did not bring much hardship to the common citizens as very few people

had access to those high denomination notes. But the sudden announcement regarding demonetisation of 500 and 1000 rupee notes made by our PM Shree Narendra Modi on the night of 8th November, 2016 stunned the countrymen. There is no doubt that the motive of the government in undertaking demonetisation was unearthing of black money, fighting against counterfeit notes, curbing of terror/naxal financing, and to create a cashless economy. Besides the well crafted move of demonetisation was also undertaken by the government keeping in mind the forthcoming elections in some States where huge amounts of cash were supposed to be spent by the candidates for winning their seats. This ensured higher level of transparency and scrutiny in the electoral process. Thus, “instead of finding ways to tackle graft through the tightening of regulations and controls on real estate and political party funding, demonetisation was promised as the ultimate solution” (Hasan, 2017).

Digitising financial transactions could prove to be an effective means of curbing the large parallel economy in India. However, without prior information and preparedness when 86 per cent of a country’s currency, consisting 12.2 per cent of its GDP, is squeezed out of the market and sought to be replaced by a new currency, there would obviously be significant consequences of that decision (The Economic Times, January 8, 2017). As a result, every Indian suffered directly or indirectly due to the government’s measure. In a country where a large proportion of the population is illiterate, less than 50 per cent of our households have access to a bank and over 60 per cent of our economy is in the informal sector all of which is dependent on cash transactions, cashless economy seems to be a dream rather than a reality. Moreover, the rural areas having inadequate infrastructure like banking services with only 20.8 per cent of ATMs of public sector banks including SBI, and 8.5 per cent of the ATMs of private sector banks, the common citizen had to stand for long hours in serpentine queues for note withdrawals and note exchange in banks and Post Offices. In addition, the slow replacement rate of trashed notes by printing press and banks also added to the problem. Moreover, even after 70 years of Independence, India severely lacks IT infrastructure on a grand scale to ease the issue of bank and ATM transactions.

During the initial two months, sudden withdrawal of 500 and 1000 rupee notes as a legal tender propelled lots of hardships to farmers, small traders, contract and daily wage labourers, and some sections of people including those residing in remote areas with poor infrastructure facilities as they underwent tough times with lots of restraints. Agricultural products markets in semi-rural markets also got affected due to demonetisation. The poorer illiterate, less-educated, un-banked, rural, and cash economy dependent citizens of India were

affected the most in their transactions. A huge number of economic and socio-cultural activities got disrupted due to demonetisation, ranging from marriages, funerals, festivals, purchases of essential goods and discretionary household consumption were postponed and cancelled. In other words, good intent but bad management of the government led to break down of the economic vibrancy in the initial months with common people left to starve for the basic needs.

Nevertheless, in the opinion of some global agencies including IMF, this was one of the right strategies formulated and crafted for achieving the larger goal of putting an end to uncontrolled corruption and creating the possibility of a vibrant and transparent economic growth and social transformation. According to the 'Economic Survey' this "radical governance-cum-social engineering measure aimed at punitively raising the cost of illicit activities, and while there have been short term costs to the economy, there will be long-term benefits. It further recommends fast, demand-driven demonetisation, further tax reforms, including bringing land and real estate under the ambit of Goods and Services Tax (GST), and reducing tax rates and stamp duties" (The Hindu, 2017). Moreover, India is a great democracy where the people at large supported the demonetisation drive of the government for unearthing black money and counterfeit currency.

But can demonetisation achieve this? "In a country like India where corruption seeps virtually into every crevice of society, fighting black money and its continuous generation is a major task for any government. The stench of corruption not only harasses the common citizens at every step, it also obstructs fruitfull development. Even the smallest of projects get derailed with sometimes as much as 50% or more of the allocations being swallowed by politicians, bureaucrats, middlemen and contractors. Social and welfare projects get subverted. One estimate states that barely 10 paise in every rupee reaches the affected people" (Ghandy, 2016). Therefore, if our country wants to come out of its backwardness and impoverishment for social change, then along with fighting black money and corruption it is equally important a task to prevent its regeneration in the future which demonetisation does not take care of at all.

Therefore, Instead of aspiring for "cashless economy", India should first move towards "less-cash economy" as digital economy needs infrastructure and supporting regulations. Government should focus on developing infrastructure like opening more banks and post offices, ATMs, providing internet services, etc. in all the villages including those situated in remote and isolated areas. More awareness about financial inclusion and digital economy (cashless transactions) through financial literacy can be created through schools, colleges,

health workers, village development officers, Panchayats, Anganwadi workers, NGOs, etc. Finally, for achieving a “less-cash economy”, government, financial institutions, and businesses have to work together in order to witness a long term impact of the demonetisation move (Mukherjee & Goyal, 2016, p.28).

To some up, it may be said that demonetisation may not alter the behaviour of the crooked, it may not change everyone but it would nudge a certain number in the right direction to pay taxes, and to transact without cash (Nayyar, 2016). In other words, when the people will realize the benefit of keeping their savings in the bank and go for day to day living through cashless modes, this may bring about change in their economic behaviour leading to social change in the long run. When all the diverse factors - cultural, social, economic and political - contributing to black money and corruption are put together in a manageable configuration then this would certainly propel India to witness a social change in the years to come.

This thematic issue contains six articles and one commentary. Besides, this edition also includes one book review. The first article by D. M. Diwakar attempts to examine the process and consequences of demonetisation with reference to the goals that were set, and to what extent they were achieved. Using secondary data and published literature the paper dwells into the political economy questions of demonetisation. Analyzing the data the author concludes that there was no justification for which the country was forcibly brought under financial emergency, loss of jobs, tragic deaths, crises to retailers and daily wage earners which endangered their fundamental rights. The author warns that worse is yet to come, as the democracy of offline people is in danger through digital divide.

The second article by Sheetal Thomas and G. K. Krishnamurthy attempts to review the impact of demonetisation on the rural economy and examine the fulfillment of government’s motive to make rural India a cashless economy. The paper also identifies the opportunities and challenges that exist in making a cashless rural economy. Based on the findings of the data the paper concludes that there is enormous potential in the schemes like MGNREGS and PDS which could be hopefully used in making the dream of cashless economy more of a reality.

In the third article, Anindita Gupta and Sujit Kumar Paul have attempted to highlight the impact of demonetisation on tribal livelihood. Collecting data from tribal population of Birbhum district of West Bengal through qualitative methods and analyzing them, the paper presents the positive and negative experiences of the tribal communities faced owing to the demonetisation measure of the government. Using

narratives and descriptive method of data analysis, the paper concludes that overall the tribal population has been facing hazards and obstacles in the growth of their livelihood owing to the advent of demonetisation. The authors recommend that sources like different agents are needed to explain and make the tribal communities aware regarding the actual scenario, causes and responsible institution that initiated the process of demonetisation.

In the fourth article, Ganesh Kawadia and Neha Gupta have made an attempt to assess the impact of demonetisation on digitalization, and over macro-economic variables like price stability, tax collection, and trade balance. By measuring monthly percentage change in the study parameters, the paper evidently concludes that in post demonetisation period, both fiscal and monetary variables of the economy have improved. Moreover, rate of interest went lower down and consequently credit demand for real estate, consumer durable and for trade mounted. The authors are of the opinion that the most favourable effect of demonetisation is that India is moving towards digitalization and cashless economy.

The fifth article by Virendra B. Shahare attempts to evaluate the impact of demonetisation and cashless digital economy in the rural sector of India. Reviewing the secondary data published in various forms and also by interacting with the rural people the paper concludes that the preparations for demonetisation was lopsided and its impacts were terrible on the rural people. The author recommends that the idea of cashless economy must be implemented taking into consideration a more holistic approach which may include steps like strengthening legislation, capacity building of regulators and anti-corruption watchdogs.

The sixth article by Amit K. Giri modestly attempts to assess the growth rate and employment conditions in the Indian economy in the post demonetisation period. Analyzing the official data released by the government of India on the state of Indian economy by employing difference-in-difference approach, the paper concludes that by and large demonetisation had negative effects on the economy of India. It slowed down the growth of the economy, especially the manufacturing and the construction sector. It also resulted in increased unemployment and sordid conditions of unemployed labour force in the economy post demonetisation.

Finally, in the commentary Jagdish Prasad shares his thoughts on demonetisation and social change. The author believes that demonetisation is now a reality notwithstanding the fact that temporarily it created crisis in the economy and society. The author

hopes that demonetisation may prove as a catalyst for long run changes and Indian polity will be more strengthened, economy will move up and society will become more cohesive.

This issue also contains a book review of “All’s well that ends in a well: An economic evaluation of MGNREGS wells in Jharkhand” authored by Anjor Bhaskar and Pankaj Yadav, by H. K. Singh. According to the reviewer the book is the first of its kind which deals with Return on Investment from NREGA assets (well) in general with special reference to Jharkhand. The reviewer believes that the book would encourage young social scientists to undertake more empirical studies using the new dimensions of research.

We hope that the articles in this thematic issue will be read by practitioners and decision-makers, and may contribute to the better formulation and management of the strategies related with the issues of demonetisation and social change in future. We are thankful to the contributors who have generously submitted their modified papers within the stipulated time frame. Our sincere thanks go to the esteemed reviewers of the journal for their critical eyes, constructive comments, and rich advice that enhance the academic quality of this journal.

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