

# “MODI TRUMPED DONALD” ON DEMONETIZATION

## SHOCK AT 8 PM ON 8<sup>TH</sup> NOVEMBER

It was a usual Dinner time in India on Tuesday evening. People were watching closely the US presidential election. The result was expected later at night. However, the tables turned back in India. Suddenly at 8 Pm the country glued at their television screens or smart phones after messages flashed on social media about demonetization. It was the Indian Prime Minister Mr. Narendra Modi addressing the nation that the Rupee 500 and 1000 currency would not be a legal tender anymore from midnight. The only option was to deposit the illegal tender in the respective bank accounts to get its equal value. The conclusion of the Mr. PM’s speech led some Confused, Happy and Irritated.

## AFTEREFFECTS OF THE SHOCK

From then on US presidential election results was dumped & nobody talked about it in India. The Trump & Hillary supporters in India forgot US election & became busy in finding their INR 500 & 1000 notes. Therefore, Modi Trumped Donald on Demonetization.

The other side of the shocking story is that counterfeits notes became a big zero after the announcement which was minted by terrorist organizations. It also blew the illegal betting rackets & the Hawala (Illegitimate money transfers) operators. It is mooted that \$50 Billion of illegitimate cash will be destroyed in INR globally.

## **RATIONALE BEHIND DEMONETIZATION**

The policy decision of demonetization swept away 86% of the Indian Currency. Per the Washington Post \$20 Billion will be added to the formal banking sector because the government will now come to know how much money does the bank has through deposits. Since Mr.PM has given 50 days' window which is expiring on 12/30/16. The population is standing in cue's depositing their money. The market is speculative on what will be the final figure of deposits nationally. NDTV on 12/03/16 reported that State Bank of India rated as one of the wealthiest bank globally has concluded that \$ 370 Billion approximately will not come in the formal banking sector by way of deposits.

Indian economy is largely dependent on agriculture and the large portion of population lives in villages called as rural India. This part of India is mainly unorganized when it comes to formal banking. It was necessary to organize this sector and bring reforms therefore 25 Million bank accounts were opened for this sector starting from 2014. These were named as "Jan Dhan Accounts". Today they have a deposit of \$11 Billion as on 23<sup>rd</sup> November 2016. These accounts have been misused by those who wanted to park their unaccounted money. For this Mr. PM, has publicly said that all those who have Jan Dhan accounts need not pay back the cheaters & keep the money for themselves.

Therefore, a withdrawal limit of \$ 145 a month (INR. 10,000) has been imposed on these accounts. The idea is to end corruption and revolutionize cashless economy resulting into direct bank credits and debits. It is not cent percent possible in any economy, however it's a beginning towards a new era of digitalization. Today's generation in India is progressive & does not like to follow my way or the high way formula. They like following rules if they are implemented by the government strictly. India is implementing the Goods & Services Tax (GST) from 2017.



### India to overtake US as world's largest e-commerce market: Study

The Indian e-commerce market is set to overtake the US and become the second largest in the world in less than two decades, going head-to-head with China for the numero uno position, according to a report by global payments firm Worldpay. Indian e-commerce market is predicted to reach USD 63.7 billion by 2020 and overtake the US by 2034.

Source: The Indian Express

December 6th, 2016

*Source: The Narendra Modi Mobile App on 6<sup>th</sup> December 2016*

### **DEMONETIZATION: INDIA IRRITATED NOT ANGRY**

Post the Decision on currency ban the country at large welcomed the bold move. However, many are irritated because there is a cap on withdrawal through ATM at \$ 30 per day and has led to long cue's outside the ATM machines. There is also a withdrawal limit for an individual through Bankers Cheque amounting to \$ 345 a week.

The level playing field is no different in US when it comes to withdrawals on cash at ATM's. In many banks, there is a limit of \$800 per transaction on ATM's. What's more interesting is that when \$ 10,000 is withdrew an identity proof is asked by the bank. Therefore, it's great when India implements it keeping in view the size of its economy.

Despite of hurdles faced by the common man they are calm & government has flown currency notes on its Indian Air Force planes and choppers to handle the logistics well & meet out its own commitment. Hundred Thousand of POS machines are being bought in the informal sectors to have

the swipes machines ready for credit/debit card use. The concept of E.Wallet through smart phones has been a great hit.

**WILL THE SHOCK END:**

Yes, it will end. Revolution is always shocking and it takes time to see the long-term gain. Therefore, the short-term pain will only make an Indian irritated and not angry. I have witnessed that the Older generation is not very happy with demonetization because post-independence in 1947 they have been bought up in the informal way of spending money that is without banking sector. It's not their fault because there were no banks or internet. This led them to adopt the informal banking sector that is cash. However, today the Indian population consists of youth mainly and they are well educated & literate. Urban India mainly has excess to smart phones & internet & rural India is also not behind when it comes to internet connectivity be it broadband or 3G/4G. There is a section in rural India which has excess to digitalization & of course formal banking. India is progressive. Hence, Demonetization will bring the change India wants to be.

The generation of yesterday does not understand the generation of today. Therefore, yesterday is not today. Hence the Today is ready to accept Demonetization for Digitalization.

**DISCLAIMER:**

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