



INDIAN DEMONETIZATION 2016 - BIDDING ADIEU TO PARALLEL ECONOMY

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ABSTRACT

The paper focuses on the Indian demonetization 2016 initiative by the Honourable Prime Minister of India Dr. Narendra Modi. It covers the detailed information on the status of corruption within India mushrooming on all the sectors like an infestation of termites. A comprehensive view of the current demonetization with special reference to the secrecy maintained in printing notes is deliberated. The money involved in making money, the concept of cash less economy, the paradigm shift from parallel to cashless are discussed. The diffusion of innovations theory of Everette Rogers (1962) has been applied to the discussion of this celebration of Integrity and the festival of credibility – the demonetization initiative

KEYWORDS

Demonetization, Diffusion of innovations, Corruption, Black money.

INTRODUCTION

"It is not power that corrupts but fear. Fear of losing power corrupts those who wield it and fear of the scourge of power corrupts those who are subject to it", Aung San Suu Kyi, Freedom from Fear. Stifling democracy, it obstructs the development of the individuals and the country. It is found in all the countries of the earth. In foreign countries bribes are paid for getting wrong things done whereas in India it is for getting right things done.

AN INDIAN PERSPECTIVE

"Corruption is the illegitimate use of public power to benefit a private interest, (Morris, S.D, 1991). This corruption has led to parallel economy, reduced the quality of productivity and the hope of its citizens. The patients at the hospitals are given polluted treatment, literacy is imparted under the title of education, the teaching fraternity is unfit and do not also attempt to fit in further rather engaging in cheap politics, job opportunities are not offered to the deserving candidates. The younger generation develops an ideology that skills, efforts, truth and sincerity is futile and wealth can fetch anything anywhere. This will reduce the quality of the products and services of the nation losing its marketability. Moreover, since our quality and standard control institutes are corrupt, China products are dumped in our market which is not possible in the markets of the United States of America and the Europe. Dr. C. K. Prahalad estimates that the lost opportunity caused by corruption in terms of investment, growth and jobs for India is over fifty billion US dollars a year. The highest hazardous avatar of corruption is in the judiciary sector which is the last resort of justice of the left alone victims of rape, acid throwing, cupping, murder, domestic, caste and communal violence, cyber crimes, encroachments and the like social evils. The hoarders of the black money park the same in the form of hard cash, foreign currencies, real estate documents, jewels, gold bars, precious stones, bullions and in similar other forms at havens abroad and within the domestic territory. In 2013-14, the Income tax department deducted undisclosed incomes totaling to Rs. 90, 390 crores in IT surveys and Rs. 10, 791 crores in search operations across the country. The supply of notes of all denominations had increased by 40% between 2011 and 2016 but the Rs. 500 and the Rs. 1000 banknotes increased by 76% and 109% respectively in the same period because of forgery. This forged cash was then used to fund terrorist activities against India. (Economic Affairs, 2016). Of the Rs.17 lakh crore worth of currency in circulation, Rs.14.7 lakh crore worth of currency is of Rs. 500 and Rs. 1000 denominations and only Rs. 2.3 lakh crore worth of currency is in lower denominations. The largest information leak ever in history on black money is the panama papers scandal released on April 3rd, 2016. It was first obtained by the International Consortium of Investigate Journalists, which revealed over 110 lakh documents

pertaining to 2, 14, 000 offshore entities and span almost forty years. The papers originated from Mossack Fonseca, a law firm based at Panama and officed in more than thirty five countries. The scandal exposed the name list who flouted rules and regulations which included five hundred Indians.

DEMONETISATION 2016

Throughout the globe, many countries other than India have long back started to accept this hazard as a way of life and law. The Honourable Prime Minister of India Dr. Narendra Modi announced the nation in a televised live unscheduled address on November 8th, 2016 as follows: "Brothers and sisters, to break the grip of corruption and black money, we have decided that the Rs. 500 and Rs. 1000 currency notes presently in use will no longer be legal tender from midnight tonight. This means that these notes will not be acceptable for transactions from midnight onwards. The Rs. 500 and Rs. 1000 notes hoarded by anti national and anti social elements will become just worthless pieces of paper"

SECRECY OF A MAMMOTH TASK

The government printing press at Dewas, Nasik and Salboni were not utilized for the printing of the new currency notes. The present highest denomination of Indian currency of Rs. 2000 notes were printed at the Bharatiya Reserve Bank Note Mudran Private Limited [BRBNMPL] at Mysuru, Karnataka. The facility was set up with the KBA Giori, Switzerland. The press employs 420 permanent workers and 200 temporary workers. The employees had worked non-stop for six days in a week to meet such a huge demand. The paper notes on which the new Mahatma Gandhi series currency notes are printed were from Italy, Germany and London. Since August, 2016, 480 million notes of Rs. 2000 denomination and 480 million notes of Rs. 500 were printed.

COST OF MONEY TO MAKE MONEY

The rupee currency is of the material rag which is 75% cotton and 25% linen with the feel of paper. 80% of its cost is paid to the foreign countries towards raw materials and designing. 20% of its cost is incurred within the domestic territory. The cost of printing the currency notes of the Mahatma Gandhi New Series for a value of Rs. 783500 crores in the denomination of Rs. 500/- notes were Rs. 3917 crores and for a value of Rs. 632000 crores in the denomination of Rs. 2000/- notes were Rs. 2000 crores.

PARALLEL TO CASH LESS

India has the highest use of cash in the world with staggering 98 % transactions in cash (Source: MasterCard Advisor's measuring progress towards a cashless society). This would strengthen the country's informal economy, which is not in the larger interest of

the nation. Reduced use of cash would choke the black economy, curb money laundering and result in increased tax collections to the government's coffers. Various options towards a cashless economy include Unified Payments Interface (UPI), PayTM, Mobikwik, FreeCharge, Oxigen, Debit Card, Credit Card, prepaid cards, using various cards at any Point Of Sale, Unstructured Supplementary Service Data (USSD), Aadhaar Enabled Payment System (AEPS), ATM, e-wallet or digital wallet. Indian currency is printed at two different entities namely the Bharatiya Reserve Bank Note Mudran Private Limited [BRBNMPL] and the Security Printing and Minting Corporation of India Limited [SPMCIL].

THEORETICAL FRAMEWORK

The theory best applicable to this concept amidst many other theories is the diffusion of innovations theory propounded by Everett Rogers, 1962. The theory explains how an innovative idea diffuses through a population, achieves momentum overtime and is finally adopted by the people as a part of a social system. Adoption is a decision of "full use of an innovation as the best course of action available", rejection is a decision "not to adopt an innovation" (Rogers, Everette M., 2003 pg no: 177), diffusion is "the process in which an innovation is communicated through certain channels over time among the members of a social system (Rogers, Everette M., 2003 pg no: 5). Therefore, innovation, communication channels, time and social system are the core components of the theory. The theory defines innovation as "an idea, practice, or project that is perceived as new by an individual or other unit of adoption" (Rogers, Everette M., 2003 pg no: 12). The idea of cashless economy is perceived as an innovation. The theory defines consequences as "the changes that occur in an individual or a social system as a result of the adoption or rejection of an innovation" (Rogers, Everette M., 2003 pg no: 436). To reduce the uncertainty of these consequences, people should be made aware of its merits and demerits. There are five categories of adopters to an innovation: Innovators (Adventurous people interested in new ideas and wanting to try the innovation first. They are willing to take risks and not much has to be done appealing to this population), Early adopters (Opinion leaders enjoying leadership and embracing change opportunities. Ahead aware of the need to change, they are comfortable in adopting. Appealing strategies are only the instruction manuals and information sheets on adoption), Early Majority (This population needs to witness evidences before they are even show willingness to adopt that the innovation is fruitful. Success stories and the evidence of its effectiveness are the appealing strategies), Late Majority (Skeptical of change, this population will adopt an innovation only after it has been tried by the majority. A strategy to appeal is the information on how many others have adopted this innovation successfully) and the Laggards (Bound by tradition these people and highly conservative they are the hardest group to bring on board. Appealing strategies include statistics, fear appeals and pressure from people of other adopter categories). The government has announced that there will be no service tax levied on transaction charges on digital payments up to Rs. 2000/- per transaction, there will be a discount of 0.75% of sale price on petrol and diesel purchases, 0.5% for monthly or seasonal railway tickets, 8 to 10% on buying insurance policy from the web portals of Public Sector Unit Companies and 10% at toll plazas on National Highways using Radio Frequency Identification (RFID) Cards. Also, all the railway passengers booking tickets online will get free accidental insurance cover of upto Rs. 10 lakh.

Odumeru, 2013 identified five factors that influence the adoption of an innovation and are the qualities determining the success of an innovation. They are relative advantage (How better is the innovation than the idea it replaces), compatibility (Consistency of the innovation with the needs of the potential adopters), complexity (Difficulty in implementing the innovation), triability (The testability of the innovation before the commitment to adoption) and observability (The extent to which the innovation provides tangible results).

CONCLUSION

Cash less economy implementing technological up gradations and

eradicating the procedural and draconian complexities of paper currencies can be looked ahead with hope.

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