

## **Excerpts of talks presented by Ms. CA KaberiBhuyan – Former Chairman of Chartered Account Association (Eastern Region) – on “Demonetization is boon or a bane ? and Cashless Transactions” on 20th January, 2017 Monthly Meeting followed by AGM in Red Continental Dining restaurant**

JAN 20, 2017

India witnessed on Tuesday, Nov 8th the news of demonetization of Rs 500 and Rs1000 notes in a telecast. The decision was, however said to be known to certain quarters earlier and there was spurt of deposits from July to October, 2016 which may be treated as unaccounted deposits.

Demonetization is a move not new to the Indian scenario. On 12th January 1946 and 16th January 1978, a period of pre and post-independence era, the Indian currency was demonetised to requirements similar to the present move, which included objectives of checking black money circulations, tax evasions and further to add printing of counterfeit currency which are used to fund terrorism and anti-social activities.

The rationale for the present move also includes, improving financial inclusion, preventing stashing of money, improving the gross domestic product (GDP), increase social welfare like Swachh Bharat (Clean India), Jan DhanYojana (Prime Minister Money Scheme), building a pathway towards a cashless society and improving India's position on transparency & corruption in the global stage. The question arises with so many good reasons why is there a negative criticism? Comparison with previous demonetization effects, this one has had an impact on the 86 percent of currency circulated to the previous one where 3 percent was included therefore not affecting the aamjanta i.e. the common man.

The present move has further good implications in reference to increased bank deposits which in turn lead to higher credit to small scale medium enterprises (SSME) and reduce interest rates, favouring the masses and balance on government spending which will reduce fiscal deficit & inflation in the short term, and improve infrastructure & GDP. Surrender of terror group was highest during this period. e-commerce companies hailed the move. Debit card transaction increased by 108% the same day. Tax payment increased by 216%.

Critics some of who are leading economists & experts also share their views on the negative impact of this move, some questioning this very move as an act against democracy for which India stands as a beacon to the rest of the world & other adding that it is a “Monumental Management Failure” and it would negatively impact the agricultural sector, small businesses and the informal sector, and that GDP would see a decline of 2.5 percent, but may improve with good monsoon. The effect of demonetization has had a crippling effect on expatriates. Farmers could not recover transportation costs of their products and had to dump their product and thus incurred huge loss. e-commerce companies also seen decline. Production in industries effected. The sensx has registered one time low. 8 lakh truck drivers stranded in National Highways with hardships for want of cash.

The theme is to show a balanced view of this bold move which has caused several of the countrymen to come out of houses, abandon work and business and queue up banks and ATMs to claim their own money. With prices of consumer goods sales fallen by one third, the Bollywood film industry hit by 35 percent, and the RBI not reducing the interest rates till date, farmers facing difficulties, fishing and construction industry hit significantly, with workers not receiving wages, & tourism sector facing the wrath of this move are some outcomes of this policy.

Only time will indicate in the long run the rationale behind demonetization. Till then we can console ourselves that this move has given us innovative practices to adjust to the barter system way of business,

which show the never die attitude of the masses who will to overcome any hurdle as quoted by the Noble Laureate Prof.Sen “Good Policies sometimes cause pain, but whatever causes pain- no matter how intense-is not necessarily a good policy”.

In every ideal democracy, i.e a ‘Welfare State’, the government will always take steps and measures which are necessary for the welfare of the people. It will be too early to adjudicate the effect of the demonetization decision of the Government because Monetary and Economic Policies are generally planned for seeking long term gains and therefore they are implemented in phase wise manner. Therefore, demonetization decision is only one of the several steps of a larger economic measure which the Government is trying to implement.

Lastly, Demonetization decision has certainly proven beneficial in terms of eradicating the counterfeit and duplicate notes from the economy. But when it comes to eradicating black money, this decision needs to be supported by taking additional steps like imposing stringent tax laws and action against the benami properties and more emphasis on cashless transactions. Only then it will have the desired impact.

The Hon’ble Prime Minister has declared his intention to take these actions and the Finance Minister has also hinted of taking steps in promoting cashless transactions. Therefore, the success or the failure of this policy is dependent on further additional steps.

A cashless future is the real goal of India's demonetization Move. This is a public sector innovation unthought of in history. A cultural-economic revolution in the making.

The biggest problem with India suddenly removing 86% of its currency notes without having an adequate supply of new notes ready to take their place is that fact that India is more reliant on cash than almost any other country on earth. Suddenly, hundreds of millions of people were left without the means to engage economically, to buy the things they wanted and myriad businesses were left without a readily available mechanism to receive payment for their goods, to buy supplies, or pay their staff.

### **Transitioning India to a cashless economy.**

Until this campaign, India was an incredibly cash-centric economy. Cash accounted for upwards of 95% of all transactions, 90% of vendors didn't have card readers or the means of accepting electronic payments, 85% of workers were paid in cash, and almost half of the population didn't even have bank accounts. Even Uber in India accepted cash — the only country in the world where this option is available — and “Cash on Delivery” was the preferred choice of 70% of all online shoppers.

By temporarily turning off the cash economy, India hoped that more people could be brought into the fold by using track-able, and taxable and digital financing vehicles, like debit cards and e-wallets.

Our position is that everybody should have a bank account and everybody should be transacting through that, but it is going to take some time for you to invest before you can say let's go completely cashless. However, reservations about the timing of India's big cashless push at this point are irrelevant. It's happening, ready or not. New bank accounts are being opened at a heightened rate, e-payment services are seeing rapid growth, cash-on-delivery in e-commerce has crashed and digitally-focused sectors like the online grocery business have started booming. Even the vegetable vendors on the streets have opened up Paytm accounts and they have a machine outside their shop where someone can scan the bar code and make the payment.

A lot more retail outlets are accepting e-wallets, including my laundry provider and dabbawalla. This is a revolutionary move and survival of the fittest.