

# DEPARTMENT OF ECONOMICS

## DEMONETISATION

**PRAVAH**

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### EDITORIAL

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## DEMONETISATION

Honourable Prime Minister Shree Narendra Modi's Demonetisation move will have far reaching implications. This is not to dispute that the transformative step has brought some hardship for the citizens, but those are temporary and will blow over soon. For the larger benefit of the nation, we the citizens can bear such hiccups with a smile. After all, this is how we as citizen can contribute in policy making and nation building. While bank employees are working overtime to make Modi's ambitious demonetisation drive a success, let's discuss its many-fold impacts.



The following are the benefits accruing from demonetisation and they are going to revolutionize the economy in the coming months.

1. 100% elimination of fake currency out of circulation. This is probably one of the greatest change that is taking place.
2. Cash to create chaos and terror lying with terrorists, maoists, naxalites, jihadists have gone waste.
3. Hawala sources to fund terrorists, maoists, naxalites, jihadists have completely dried up. This is seen in decrease in violence in Kashmir. Many naxalites are surrendering voluntarily.
4. Kashmir is back to normal, no school burning, children attending schools and no stone pelters are observed.
5. Jan Dan Bank accounts are full, probably because people who did not want to keep their money in bank, are coming back to banking network, after demonetisation.
6. 55 lakh money disputes were settled in one day.
7. According to RBI 11.5 lakh crore money have been deposited in banks.
8. All business men are depositing money lying with them as current years income with advance tax.
9. All jewelers are issued forms to declare their gold stock on day to day basis.
10. Defaulters of bank, property tax, electricity bills, telecom bills are clearing the long pending bills.
11. Defaulters of all kind of tax escalation are clearing their dues.
12. Small vendors started going digital and using APPs, digital forms of transactions and digital wallets,
13. Fiscal deficit of India is set to

### Black money

At one stroke the Prime Minister has choked the supply of black money stacked inside the country. Of the Rs 17 lakh crore of total currency in circulation in the country, black money is estimated at mind-boggling Rs 3 lakh crore. Black money is nothing but a plunder of the nation. Black money operators run a parallel economy which shakes the very foundation of the Indian economy. With Modi's demonetisation move, all domestic black money will either be deposited into the banks with heavy penalty or be simply

### Hawala transactions:

Demonetisation has crippled the hawala rackets. Hawala is a method of transferring money without any actual money movement. Hawala route is used as a means to facilitate money laundering and terror financing. Hawala rackets run again on black money. With black money suddenly being wiped out of the market, thanks to demonetisation, hawala operations have come to a grinding halt. According to an India Today report, one of the hawala operators in Mumbai has destroyed currency notes worth about Rs 500 crores.



## COUNTERFEIT CURRENCY:

Demonetisation has dealt a death blow to the counterfeit Indian currency syndicate operating both inside and outside the country. Counterfeit currency seriously devalues the real worth of Indian currency. A study conducted by Indian Statistical Institute, Kolkata on behalf of the National Investigation Agency (NIA) suggests that fake Indian currency notes (FICN) amounting to Rs 400 crore are in circulation in the country at any given point of time and around Rs 70 crore fake notes are pumped into Indian economy every year. The estimation is based on recovery and seizure made by various agencies. But the actual figure could be much larger. A One India report, quoting an Intelligence Bureau dossier, says fake Indian currency worth Rs 12 lakh crore has pumped into Indian financial system over the years. Needless to say that most of the fake currencies circulated in India are of Rs 500 and Rs 1000 denominations. It is also pertinent to mention that the fake currency floating inside the Indian financial system is not counted within the Rs 17 lakh crore of total currency in circulation in the country.

## Real estate cleansing:

It is said that real estate is an industry built on black money. The extent of black money floating around in the sector is huge. According to an estimate at least 40 per cent of real estate transactions in Delhi-NCR are in black. Modi's demonetisation move will curtail the flow of black money into the real estate sector. This will help in making the much needed correction in the sector. The impact: An unexpected dip in land and property prices.

## North-East insurgency:

Demonetisation has severely affected the multiple militant groups operating in the North-East.

According to intelligence estimate the north-eastern insurgent groups together have a corpus of Rs 400 crore annually.

The insurgents source their funding in two ways. They raise funds through levy and extortions like the Maoists do. But unlike Maoists, the leaders of North-East militant outfits do not live in the jungle. Their English speaking high ranking leaders run operations from their dens in Myanmar, Bangladesh and Nepal. From there they also transfer huge illegal money via hawala route to their cadre for running the militancy. With the extortion money stopped completely in the absence of cash inflow and hawala operations coming to a complete halt, all activities of North-East

## Kashmir unrest:

The four-month-long unrest in Kashmir valley is on a backburner, thanks to demonetisation. No stone pelting on security forces has been reported in Kashmir ever since the demonetisation announcement was made.

An intelligence estimate suggests that Pakistan sends Rs 1,000 crore annually to the separatists for fuelling unrest in Kashmir. The money is transferred through hawala route. With hawala transactions completely choked up, the separatists are now clueless. It won't be wrong to say that "stone pelter" Modi completely shattered the Kashmir unrest with his stone called demonetisation.

## Terror financing:

Terror financing is sourced through counterfeit currency and hawala transactions.

This is how terror financing works. Fake currency circulation is routed through a multi-layered network of hawala operators which are closely linked to satta (gambling) and smuggling of drugs, opium and arms. Indirectly, they all end up financing terrorism.

In addition, the terrorists collect huge donations and then route the money through hawala transactions.

With the circulation of counterfeit Indian currency completely stalled and hawala transactions stopped, all windows for terror financing are closed.



## Economy:

Demonetisation will have a huge resultant effect on the Indian economy. The clean-up of illegal cash will help turn around the economy. First, it will bring more borrowings to the exchequer, improve inflation outlook and increase India's gross domestic product (GDP). Second, it will revive investment opportunities and give a fillip to infrastructure and the manufacturing sector. Third, it will help reduce interest rates and lower income

